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|---|---|---|
| Austria Sch 20 | Indonesia Rp 2500 | Portugal Esc 90 |
| Bahrain Din 0.650 | Italy L 1500 | S. Arabia Rls 6.00 |
| Belgium BFr 45 | Japan Y 500 | Singapore S$ 4.10 |
| Canada C$1.00 | Jordan Fils 500 | Spain Pta 125 |
| Cyprus C£0.70 | Kuwait Fils 500 | Sri Lanka Rup 30 |
| Denmark DKr 8.00 | Lebanon L£ 6.00 | Sweden Skr 7.00 |
| Egypt E£1.00 | Luxembourg LFr 45 | Switzerland SFr 2.20 |
| Finland Fmk 8.50 | Malaysia Rlt 4.25 | Taiwan NT $35 |
| France Fr 8.00 | Mexico Pes 300 | Tunisia Din 0.600 |
| Germany DM 2.20 | Morocco Dh 6.00 | Turkey L 250 |
| Greece Dr 80 | Netherlands Fl 2.75 | U.A.E. Dh 6.50 |
| Hong Kong HK$ 12 | Norway Nkr 7.00 | U.S.A. $1.00 |
| India Rup 15 | Philippines Pes 20 | |

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,859 Wednesday February 19 1986 D 8523 B


**World economy: why a financial crash is needed, Page 17**

World news | Business summary

## Guerrillas threaten to kill Israeli

Moslem guerrillas who claimed to be holding two wounded Israeli soldiers taken captive in southern Lebanon threatened to kill one of the hostages unless Israel withdraws its forces.

The threat came after Israel intensified its search for the kidnapped pair, sending more troops and armour beyond the eight-mile "security zone" north of the border.

Troops searched Shia Moslem villages in the region, backed up by armoured vehicles and helicopter gunships. Naval units were patrolling the coast and an Israeli was reported killed on a gunboat by fire from the shore. Earlier story, Page 4

### Politburo shuffle

Viktor Grishin, former leader of the Communist Party in Moscow, was dropped from the Soviet Union's ruling Politburo. His successor in the Moscow post, Boris Yeltsin, was promoted to a non-voting Politburo membership. Page 3

### Oil policy cleared

The European Court of Justice said that UK export policy on North Sea oil which effectively bans sales to Israel does not infringe the EEC's common export laws or its free trade agreement with Israel. Page 12

### Bank chief named

US President Ronald Reagan nominated John Bohn to succeed William Draper as president of the Export-Import Bank for a four-year term.

### Journalist freed

Separatist Tamil guerrillas in Sri Lanka freed kidnapped British free-lance journalist Penelope Willis who had been seized January 18. They had claimed that she was an intelligence agent.

### Checks on 747s

The UK Civil Aviation Authority said it would follow a US policy of airworthiness checks for Boeing 747 jetliners which have developed cracks in the fuselage. Page 12

Meanwhile, Spain's Iberia airline reported finding mechanical faults in two of its aircraft which may have been the result of sabotage.

### Airport protest

Australian Government's chosen site for a second international airport serving Sydney brought immediate protests from local residents, particularly from among the 700 people who face expropriation of property for the development 30 miles west of the city.

### Chile train disaster

The death toll neared 70 in Chile's worst rail disaster after passenger trains packed with summer holiday travellers crashed head-on between the resorts of Valparaiso and Vina del Mar. More than 500 were injured.

### India mourns guru

India mourned one of its best known 20th century philosophers, Jiddu Krishnamurti, who died of cancer in California, aged 90.

### Storm toll rises

Seven crew drowned and two were missing after the sinking of a Cypriot freighter in a storm off the Moroccan coast. Meanwhile a search continued off Spain for a crewman of a Japanese container ship who was swept overboard by huge waves.

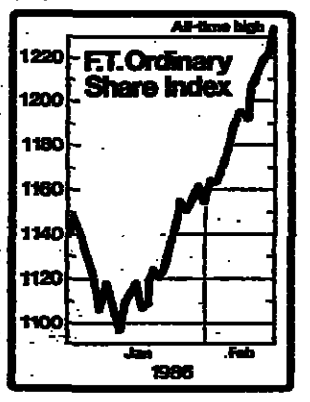
### Cardboard curtain

East Germany is placing dummy soldiers made of cardboard in some of its 700 watchtowers along the heavily fortified frontier with West Germany, Bonn's Interior Ministry reported.

## Kodak loses $194m in quarter

EASTMAN KODAK, the world's largest producer of photographic products, reported a fourth-quarter loss $194m, or 85 cents a share, against profits of $204m, or 87 cents. Revenues increased slightly from $2.75bn to $2.81bn.

The results were hit by total charges of $563m. The cost of withdrawing from the instant photography business after court action by Polaroid was $494m. For the full year, Kodak made a profit of $332m, or $1.46 a share, against $923m, or $3, in 1984. Revenues were static at $10.6bn.




LONDON: Equities were swept to record levels and gilts were higher. The FT-SE 100 share index bounded 16.6 up to 1,491.9 while the FT Ordinary share index registered its fifth advance to end 13.6 better at 1,234.5; both were peaks. Page 36

WALL STREET: At 3pm the Dow Jones industrial average was 14.11 higher at 1,678.56. Page 40

TOKYO: Prices fell back after three straight sessions of gains. The Nikkei average dipped 11.66 to 13,436.23. Page 40

The exchange announced it would close on the third Saturday of each month from August, in addition to the second Saturday.

DOLLAR was firmer in London, closing at DM 2.343 (DM 2.339), SFr 1.938 (SFr 1.925), FFr 7.195 (FFr 7.18) and Y181.05 (Y180.15). On Bank of England figures the dollar's index rose to 120.2 from 119.9. Page 33

STERLING gained 0.75 cents against the dollar in London to finish at $1.428 and was also higher at DM 3.345 (DM 3.3225), SFr 2.7675 (SFr 2.735), FFr 10.275 (FFr 10.2) and Y258.5 (Y256.0). The pound's exchange rate index rose 0.4 to 74.0. Page 33

GOLD gained $3.25 on the London bullion market to $336.50 and rose $4.00 in Zurich to $337.25. Page 32

US BUDGET: The non-partisan Congressional Budget Office said the outlook for reducing budget deficits has improved dramatically, and predicted a decline from an estimated $208bn deficit in 1986 to $181bn in 1987 and $104bn by 1991. Page 6

JAPANESE exports of video cassette recorders rose 15.4 per cent to 25.8m after increases of more than 40 per cent in each of the three previous years.

EUROPEAN ARAB BANK, consortium-owned bank set up in 1972, is being wound up. Page 22

LLOYD'S the UK insurance market, said that Alan Lord will become its chief executive and deputy director on March 1, succeeding Ian Hay Davison, who is resigning. Page 11

UNITED Biscuits of the UK, which bid £2.5bn ($3.5bn) for Imperial Group on Monday, lifted its stake in the company to 14.9 per cent. Page 22

FERMENTA, Swedish biotechnology and chemicals group, saw its share price fall in hectic trading on the Stockholm stock market, wiping more than a fifth off the company's market capitalisation. Page 19

BELOIT, leading US manufacturer of paper-making machinery, has been bought for $175m by Harnischfeger, Milwaukee-based mechanical engineering group.

# South African riot squads move to protect white suburbs

SOUTH AFRICAN police and army reinforcements were called in to the black township of Alexandra yesterday to prevent fierce fighting spilling over into the prosperous white suburbs of northern Johannesburg, writes *Anthony Robinson* in Johannesburg.

The official death toll in four days of violence in the township has risen to 19 with 37 injured, but there are reports that as many as 80 may have died.

Mr Adriaan Vlok, deputy minister of law and order, said in Parliament yesterday that 16 people had died as a result of police action, two as a result of burns, while one black policeman had been killed by rioters. He was replying to an emergency question put by Mrs Helen Suzman of the opposition Progressive Federal Party.

Entrances to the township, north of Johannesburg, were sealed off by armed police again yesterday. The army and police maintained constant armoured car patrols throughout the township. It is littered with the wrecks of burnt-out cars and trucks and the remnants of makeshift barricades.

Army helicopters flew frequent reconnaissance flights over the township, which slopes down in a closely meshed grid pattern from the main highway to Pretoria and is bordered on two sides by factories and Indian and white-owned shops.

Dr Beyers Naude, general secretary of the South African Council of Churches (SACC) who led a delegation of churchmen into the township yesterday, said that he had heard reports that up to 80 people had been killed and more than 220 wounded.

The spark which set the township alight appears to have been the killing on February 10 of Mr Jerry Kumuka, a 23-year-old local leader of the black consciousness Azapo movement who was called out of his home and stabbed to death by two unknown assailants.

His funeral and that of another youth shot by a store security man inside the township on the same day took place on Saturday. Even before the funeral took place, large crowds roamed the township in the early hours stoning and burning the property of local black councillors and other community "sellouts."

Violence erupted again during and after the funeral when the police were accused by residents of bursting into the house of mourners and interrupting the traditional hand-washing ceremony. Since then, the township has been the scene of violent street-fighting and blazing barricades which sent smoke drifting into the nearby white suburbs.

Heavy police and army reinforcements were called in to prevent the violence from spreading into the white areas. Many shops inside the township have been burnt, according to residents and local priests, while several Indian and white-owned shops on the periphery were closed again yesterday.

Thousands of black workers set off for work by bus and mini-buses yesterday but many local employers sent home their black employees from nearby factories, including Escom, the electricity supply corporation whose Megawatt Park administrative centre is in the vicinity.

Yesterday morning a large crowd marched towards the Wynberg police station to demand that the police release the bodies of the dead to their parents and leave the township. Only five people were let through, but the local commander told them he would only speak to the mayor, the Rev Sam Buti, whose whereabouts is unknown.

Most of the crowd marched back to the township sports stadium where they expected to be addressed by Dr Naude and other clergymen prominent in the anti-apartheid movement like the Rev Allan Boesak of the United Democratic Front (UDF) and Bishop Desmond Tutu.

Journalists were forbidden from entering the township and several were detained. Alexandra, like the whole of greater Johannesburg is covered by the state of emergency.

The police seemed particularly determined to prevent the outside world seeing what is happening in one of the oldest black townships in Johannesburg which for 23 years

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**Editorial comment, Page 16**

# Singer to spin off sewing machine operations

**By Paul Taylor in New York**

SINGER of the US plans to get out of the sewing machine business. The move will end a 135-year era during which the Singer sewing machine became an almost essential household item, used around the globe by people ranging from Gandhi, the Wright brothers and Admiral Richard Byrd to South Sea islanders and African tribesmen.

The group, based in Stamford, Connecticut, is still the largest sewing machine manufacturer in the world but has been steadily expanding its other businesses including aerospace electronics. It said yesterday that its management is investigating spinning its sewing machine and furniture operations off to shareholders as a separate, independent company.

The Singer sewing machine empire was launched in the middle of the last century by Isaac Merritt Singer, the son of poor German immigrants and inventor of the machine, and Edward Clark, a young lawyer who is also credited with inventing the first consumer instalment plan, which enabled American households to purchase the then relatively expensive sewing machine.

Mahatma Gandhi, who learned to sew on a Singer machine while imprisoned in India, described it as "one of the few useful things ever invented."

If completed, the divestment, coupled with other recent strategic initiatives, would result in a slimmed down Singer with 80 per cent of its remaining revenues derived from aerospace electronics.

Last year Singer reported profits of $82.3m on revenues of $2.4bn. Sales of $1.1bn came from the consumer products division which includes its sewing machine operations. Singer's furniture operations supply retail outlets including Sears Roebuck.

"This would further concentrate our investments and emphasis on the high-technology operations which have been our largest business since 1982," said Mr Joseph Flavin, the chairman and chief executive who has masterminded the group's transition over the past decade. He added: "It is also consistent with the actions we undertook earlier this month to accelerate our expansion into aerospace electronics."

Singer announced plans earlier this month to acquire Textron's Dalmo Victor Electronic warfare systems division for $174m and is considering selling its controls division, which manufacturers automotive and appliance products, to help finance the acquisition.

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# Aquino seeks foreign help in effort to oust Marcos

**BY CHRIS SHERWELL AND SAMUEL SENOREN IN MANILA**

MRS Corazón Aquino, widening her assault on President Ferdinand Marcos after this month's disputed election in the Philippines, has begun approaching Cabinet ministers, senior military officers and foreign governments in her attempt to remove him from power peacefully.

The strategy emerged yesterday as the Marcos administration faced further harsh domestic criticism over its economic policy following a second devaluation of the peso in six days. The currency fell 9.3 per cent yesterday to 22.04 to the US dollar, having slipped 3.65 per cent last Wednesday to 20.

The decline promises a fresh round of inflationary pressures and came only one day after the central bank sharply increased domestic interest rates to curb money supply growth and defend the peso. Bankers and businessmen expressed dismay that the election had led to such measures.

Mrs Aquino's moves, revealed by her advisers, are aimed at encouraging Marcos appointees in the Cabinet, civil service and judiciary to resign, and at persuading sympathetic military officers not to use force against Filipinos who reject the official result of the February 7 election.

The approach to foreign governments coincides with mounting concern among the Philippines' south-east Asian neighbours, in Europe and Australia as well as the US over the fraud and violence which marred the election. In a statement last week, the 12 EEC governments expressed their "deep concern" at developments in the Philippines. Yesterday, Singapore joined Thailand in voicing worry.

A pointer to possible problems for Mr Marcos surfaced yesterday when several top business leaders resigned from his presidential productivity council, a 50-member body formed last year to advise on economic and business policies.

The latest opposition move reinforces the campaign of non-violent protest unveiled by Mrs Aquino on Sunday. Supporters have been asked to boycott newspapers and banks controlled by the Government or by Marcos associates and the products of San Miguel Corporation, the food and beverage giant headed by Mr Eduardo Cojuangco, a friend of Mr Marcos.

San Miguel shares rallied marginally on the capital's stock exchange yesterday in the wake of Monday's fall from 14 pesos to 11.50 pesos. There were further reports of deposits being shifted out of government banks, while Bulletin Today, a pro-government daily newspaper, has already lost 19 regular advertisers and some circulation.

Mrs Aquino steps up her pressure on the Government today when she takes her campaign outside Manila with an afternoon rally near the US air force base at Clark Field. Further rallies are planned at Cebu on Saturday and Davao on Sunday.

Mr Philip Habib, the US special envoy who is in Manila to assess the situation for President Ronald Reagan, yesterday met Mr Cesar Virata, the Prime Minister and Finance Minister, and Mr Blas Ople, the Labour Minister. He issued no comment.

The National Movement for Free Elections (Namfrel), the citizens' watchdog for the presidential election and subsequent count, meanwhile disclosed that, in its estimate, almost 3.3m voters were disenfranchised in the poll because they could not find their names on the rolls.

# Granada rejects £753m Rank bid

**By Charles Batchelor and Raymond Snoddy in London**

GRANADA GROUP, the British diversified entertainments group, yesterday rejected a £753m ($1.07bn) takeover bid from the Rank Organisation, owners of Butlins holiday centres and Odeon cinemas, barely a month after calling off merger talks with Ladbroke, another UK leisure group.

If the Rank bid was successful, it would create a powerful new British leisure company with annual turnover of nearly £1.4bn and interests ranging from film processing, the Pinewood film studios, TV programme-making, TV rental to motorway service areas.

Rank's decision to bid comes after two years during which a new management team, headed by Mr Michael Gifford, chief executive, has restored the company's fortunes from the sharp downturn of the early 1980s.

Rank not only will face determined opposition from Granada, but will also have to persuade Britain's Independent Broadcasting Authority (IBA) that a change of ownership would not be detrimental to Granada's commercial television franchise in north-west England.

There were indications yesterday that the IBA would refuse to agree to a hostile takeover of Granada, maker of the Jewel in the Crown and Brideshead Revisited series and Coronation Street, a long-running soap opera.

The IBA, which regulates commercial broadcasting in Britain, must approve any change in ownership of more than 5 per cent of the shares of an independent television (ITV) company. The authority refused in October to accept a takeover bid by Carlton Communications, a TV services company, for Thames Television, the largest ITV company and holder of the weekday franchise for the London area.

Rank, which is advised by Mor-

**Continued on Page 18**

*Lex, Page 18; Background, Page 23*

# GM insists on Land Rover in BL trucks deal

**BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON**

GENERAL MOTORS of the US has told the British Government that it will take over the trucks subsidiary of the troubled state-owned BL motor group only if Land Rover, the prestige cross-country vehicle maker, is included. If not, says GM, the whole deal is off.

UK ministers made the US group's position clear yesterday, telling Members of Parliament that they believed the General Motors deal made the best commercial sense for BL and the companies to be sold.

A deadline of three weeks has been set for the submission of detailed alternative bids by any other interested companies. No deal with General Motors will be signed until after then.

No specific bids have yet been put forward, although one other foreign-based company, apart from General Motors, has expressed interest in the trucks operation and three – two foreign and one British – have now made approaches about Land Rover.

These unnamed companies are in addition to the list given on Monday consisting of General Motors, Lonrho, Aveling Barford and a management buy-out for Land Rover.

The knowledge that ministers had been talking to the press about the background to BL led to angry clashes in the House of Commons last night between the Labour opposition and Mr John Biffen, the Leader of the Commons.

Mr Peter Shore, his opposition counterpart, unsuccessfully called for an immediate statement by Mr Paul Channon, the Trade and Industry Secretary, after claiming that Mr Channon had briefed the parliamentary lobby journalists about the existence of new bids.

Mr Biffen claimed the journalists knew no more than members of the Commons. These clashes and the further disclosures make it likely that there will have to be a full statement to parliament today.

The strong preference of Government ministers for General Motors as a suitor is in spite of protests from the Opposition and from a small, vocal group of Conservative MPs from the West Midlands, BL's base, who have argued for Land Rover to be treated separately and perhaps floated on the stock market.

The official stress on a tight timetable is seen as effectively ruling out all bids for Leyland Vehicles and Land Rover apart from that of General Motors.

Ministers point out that the BL board has always supported the General Motors deal and argue that Land Rover cannot stand on its own. The Government's view is that the company needs further capital support and is in danger of being squeezed by Japanese groups unless it gains the financial marketing and technical backing of General Motors, which will open up the US market for it.

Prime Minister Margaret Thatcher said she was anxious that Land Rover should have as big a market and as big a network of distributors as possible.

**Editorial comment, Page 16**

# Mexican plan to cut loans bill

**BY DAVID GARDNER IN MEXICO CITY**

MEXICO'S economic ministers, meeting this week to examine their options in the light of the collapse in international oil prices, are considering a proposal both to cut the interest rate bill on the country's $97bn foreign debt and to seek new money from its commercial bankers.

The proposal, put forward by the Planning and Budget Ministry, would seek to negotiate with Mexico's international bank creditors an effective interest rate on the country's debts of 6 per cent. This would represent a saving of about $3.5bn to $4bn on this year's total debt service bill of $11.5bn.

At the same time, the Mexican Treasury is reliably understood to be compiling a list of some 200 public sector enterprises for possible divestiture. This list is believed to be in addition to the 236 state concerns which the Government put up for sale in January last year, 26 of which have actually been sold.

Under the option being pushed by the Planning Ministry, Mexico would also seek new money this year from its bankers and international financial institutions. Even if the banks were to take the unprecedented step of foregoing full interest payments on sovereign loans, Mexico would still have a substantial deficit.

Mexico relies on oil exports for three quarters of its foreign exchange and half its tax revenue. At Mexico's current average price of crude of $15.07 a barrel – cut back by $8.68 since January 31 – and with falling sales volume, the country could lose $5.9bn over a full year, against original earnings projections from crude for 1986 of $12.1bn.

Before the oil price collapse of the past four weeks, Mexico had been seeking net new finance this year of $4.8bn – of which $2.5bn was to have come from the banks. This estimate of the country's financing needs included a cushion to allow for an oil price fall of about $2.50, against nearly $10 which the price has actually fallen since the projections were worked out.

The Planning Ministry's proposal is believed to envisage the capitalisation of the unpaid interest, along with a further extension of principal repayments.

Under last year's multi-year rescheduling of $48.7bn in Mexican public sector debt originally falling due in 1985-90, principal repayments were stretched out over 14 years with one year's grace.

**US/Mexico relations, Page 6**

## CONTENTS

# Swedish outlook improves

By Kevin Done, Nordic Correspondent in Stockholm

PROSPECTS for the Swedish economy this year have improved significantly as a result of falling oil prices, the easing of interest rates and the likelihood of lower than expected inflation, according to economic forecasts from Skandinaviska Enskilda Banken, the country's leading commercial bank.

Swedish households can count on a real rise in wages this year and next as the pace of inflation slows under the influence of weakening import prices.

S-E Banken maintains that the revaluation of both the D-mark and the yen as a result of the US dollar's decline will help compensate for a weakening of Sweden's international competitiveness caused by continuing high labour costs. The inflation rate is expected to average 4.8 per cent in 1986, compared with 7.4 per cent in 1985, and should fall to 4.4 per cent by next December.

The main impact of lower oil prices and interest rates will be seen in the current account of the balance of payments which is now forecast to show a surplus of SKr 1bn (£95m) this year and SKr 4bn in 1987, compared with a SKr 9bn deficit last year.

Overall economic growth could reach 1.7 per cent this year, says the bank, a considerably more optimistic forecast than its last one in the autumn.

**David Housego** explains the strategy of the French right-wing leader

# Why Chirac may cohabit with Mitterrand

MR JACQUES CHIRAC, the Mayor of Paris, says these days that he has no respect for President Francois Mitterrand, and thus has no wish to be the first right-wing Prime Minister with a Socialist President in the history of the Fifth Republic.

But whatever Mr Chirac's personal feelings, fate seems to be pushing him in that direction. Mr Chirac is the leader of the largest, most disciplined group—the neo-Gaullist RPR—within the Opposition.

If the right emerges with a comfortable majority in the National Assembly after the Parliamentary elections, then according to Mr Chirac's reading of the Constitution he should be appointed Prime Minister as the man commanding the most support among the new Parliamentary majority.

Mr Chirac needs a spell at the Matignon to show his mettle if he is to have a chance of regaining his popularity in the public opinion polls and thus present himself as the right's candidate at the next Presidential elections. At the moment Mr Raymond Barre, the former Prime Minister, outdistances all his rivals in the Opposition in public esteem.

Mr Chirac has thus taken to the campaign trail with a stamina unmatched by other Opposition leaders to ensure that his RPR dominates a potential right-wing majority in the National Assembly and that majority looks to him as its leader. Like a thoroughbred racehorse trained for the great event, Mr Chirac's nostrils tingle with excitement when there is an election in sight.

Most afternoons he slips out of Paris in a private Falcon jet to visit two of the country's regions. He returns after midnight for another hour and a half of paperwork at the Hotel de Ville before getting up at 7.10 in the morning.

When he was in Avignon and Grenoble one day last week, he addressed two large evening rallies. Between platform appearances he is perpetually in motion, reaching out to clasp a hand, whispering a confidential word in the ear of a party official, renewing old friendships and nurturing new contacts, and not least eating with the gargantuan appetite of a man who looks to food to renew his energy. Charm and determination have carried Mr Chirac a long way in building up his political following.

Mr Chirac's speeches are rich in warnings to voters against the "Machiavellian" intrigues of Mr Mitterrand. He tells his audiences that with 30 per cent of the vote, the Socialists have no chance of forming a government and that their sole objective is to prevent the Opposition from obtaining an absolute majority—thus sowing anarchy and confusion.

"Watch out for those," he told a packed meeting in Grenoble with a finger clearly pointed at Mr Mitterrand, "who try to deny a new majority the means of governing."

Mr Chirac, on the stump in Paris, receives the benefit of some grass-roots opinion

But notwithstanding this combatant language and the platform V-signs he has adopted, in practice he thinks that Mr Mitterrand, in the case of a right-wing majority, will have no choice but to accept the policies imposed on him by a new government. The constitution, he says, is "flexible, solid and adapted to all situations."

He believes that however much M Mitterrand may trumpet the powers of the Presidency, he will be ready to adapt to the new realities. Behind this evaluation is the implicit judgment that both he and M Mitterrand have a shared interest in making "cohabitation" work, at least for a while, to prevent an early Presidential election that would give victory to M Barre.

M Chirac was the most popular of the opposition leaders *according to the public opinion* polls in the aftermath of the Right's defeat in 1981, but he has since slipped back well behind M Barre. Both former Prime Ministers under President Giscard d'Estaing, they could not be more different in character.

M Chirac is much warmer—though he has problems in putting this across on television—and easier of access. But he is also impetuous, unpredictable, prone to lunge before measuring the consequences, and sometimes demagogic. It is the fear that M Chirac would lead France into the unknown that currently counts against him as a Presidential candidate.

His career is littered with gaffes that he would prefer now to forget. As a young man he signed a "peace" declaration against atomic war that was organised by the Communist Party—an incident that caused trouble when he was called up for military service. As Prime Minister, he was responsible for France's ill-fated attempt at reflation in 1975.

FRENCH ASSEMBLY ELECTIONS

His strength is that he has proved an excellent administrator of the city of Paris and of his own RPR movement. In particular he has allowed young men to surface to important positions in the party, compared with Mr Barre's tendency to leave his followers in the shade.

After the left's victory, Mr Chirac became a passionate apostle of Reagonomics and Mrs Thatcher. These enthusiasms have somewhat dimmed but he still remains to the right of the joint programme drawn up by the Opposition.

In economic terms he still has an itch to push for higher growth—but this time through supply side measures. He believes the right must make a practical break with Socialist policies by "shaking up" economic rigidities.

If he did become Prime Minister he would not have an easy task. The right's dilemma is to prove that its policies are different from the left—but at the same time in a highly political period to avoid any risks that would threaten current anti-inflationary goals or provoke social conflicts.

# Prague to increase borrowing

By Patrick Blum in Prague

CZECHOSLOVAKIA intends to step up its borrowing on the international money market this year to help finance investment, according to Mr Jaroslav Kroh, chief manager of the state bank. Although he would give no figure, he said the amount would exceed the $100m raised last year.

Prague has been particularly cautious in its borrowing. It has taken out only two syndicated Euroloans in more than three years: one for $50m arranged by Deutschebank in 1983 and one for $100m led by Credit Commercial de France last summer. The latter was at especially good terms, reflecting Czechoslovakia's low debt and good international standing.

Gross hard currency debt for 1984 is put by Western analysts at about $3.3bn, net debt at $2bn. The Czechoslovak authorities are determined to reduce it to a minimum and have curtailed imports strongly and sought to boost exports in order to accelerate repayment.

As a result the country has had sizeable hard currency trade surpluses of around $1bn in 1983 and of more than $800m in 1984. According to Mr Kroh, preliminary figures for 1985 show a surplus exceeding $1bn in Czechoslovakia's trade balance with the non-Socialist countries.

Taking into account Czechoslovak assets in foreign banks, he says, its foreign debt is now negligible.

"*Our foreign debt has* been further reduced and it stands at such a figure that it is no longer economically important. For the first time in about 10 years we have returned to the happy position of balance with the non-Socialist countries."

He said that in order to finance the investments in machinery needed to increase exports and modernise industry further, Czechoslovakia will be back on the market for credit.

"During the current five-year *plan* we expect to be more *often* on the Euromarket than we have been during the past five-year period," he said. But loans will be raised only for specific projects. Czechoslovakia's approach will remain cautious.

Total investment in that period is planned to reach Koruna 840bn (£56bn) about 12 per cent higher than during the last five-year plan. The bulk of these investments will be channelled towards industry and for energy.

The three main areas for investment will be *in* electronics and in the chemical and engineering industries, where production is earmarked to grow by about 30 per cent during the five years, compared with an average growth of about 15 per cent for the whole of industry.

# Snorre oil field doubt

THE START of an estimated NKr 40bn (£4bn) development of Norway's Snorre oilfield in the North Sea could be *delayed for* months or even years because of the fall in oil prices, say oil company executives, writes Flemming Dahl in Oslo.

No application for development has been submitted, but Saga Petroleum, the privately-owned Norwegian company which is operator on *the field*, last year said an application could be made ni early 1987.

# Malta seeks fresh image in US and W. Europe

By Stewart Dalby, recently in Valletta

AFTER a little more than a year as Malta's Prime Minister, Mr Carmelo Mifsud Bonnici feels he is succeeding in changing Malta's image in Western *Europe and the US. He* further feels that improving Malta's image in the eyes of those erstwhile friends and allies is important and overdue.

For almost 15 years – since Mr Dom Mintoff brought the Socialist party back to power in general elections *in 1971 – Malta has* seemed to veer further and further away from Britain, of which it was once a colony, and has made new alliances with the East bloc and Libya.

In the early 1970s China gave a $15m soft loan. It later built a huge repair dock in Valletta capable of *taking ships of 200,000 dwt.*

The Soviet Union has given loans and recently signed a $265m trade deal with Malta under which it is committed to spend this amount on goods and services over a three-year period.

The Soviet Union's merchant fleet has bunkering services in the Valletta shipyard which once serviced the Royal Navy. There have been barter arrangements with Bulgaria, Czechoslovakia and Iraq.

To the consternation of the US in particular, close ties have been established with Libya. In 1984 a five-year treaty of friendship was signed with Col Muammar Gaddafi's regime. Libya is Malta's fourth-largest export market after West Germany, the UK and Italy.

Some 3,000 Libyans currently visit Malta each month without a visa and using only an identity card. They go there to buy consumer goods and spare parts for their cars. Libya owns a large hotel in Malta. There is a mosque used, presumably, solely by Libyans and a few others, since Malta is more than 90 per cent Roman Catholic.

Libya also has holdings in three industrial joint ventures including two tripartite manufacturing projects involving British concerns such as GEC. Libya is also known to have given loans and aid in the past, as well as selling oil at concessionary prices.

All this has been worrying Western diplomats on the island who have at times felt that Malta – with its strategic position along the Mediterranean trade routes and between Italy and Libya – could become a Marxist state unfriendly to the West, providing a deep-water port for the Soviet navy or even giving haven to Libyan-backed terrorists.

Malta not only fell out with Britain but with Italy, its nearest neighbour. For a while, trade with Italy was suspended, and Maltese citizens were *not allowed to buy Italian* currency to go shopping in Sicily.

There is a ban on imports of all non-essential goods from Japan. There have been differences with the EEC, largely because Malta did not think the EEC was being generous in its aid plans. There have been more minor skirmishes with France and West Germany, too.

The substance of Mr Mintoff's policies will continue under his successor, and the island will remain non-aligned. But, defending his country's policies towards Libya, Mr Mifsud Bonnici says the US must understand that Malta's geography and economic self-interest dictate that it should have a good relationship with Libya, its second-nearest neighbour.

He adds: "What is the point of the US isolating Libya? You will only drive them (the Libyans) into the arms of the Soviet Union."

But Mr Mifsud Bonnici clearly wants to mend fences with Western countries.

If the island's industries are to remain competitive and move into *more sophisticated fields* such as engineering and technology, fresh investment will be needed. There is probably a limit to barter deals with the Eastern bloc. Malta needs investment from the West in general and the US in particular. It is aware of it.

## Soviet defectors

THE Soviet Union has asked Greek authorities to help trace three Soviet citizens who are understood to have defected in Athens last week. AP reports from Athens. They are a *shipping* expert and his 7-year-old son, and a woman schoolteacher from the Soviet school in Athens.

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# EUROPEAN NEWS

## Foreign long-term investment soars in West Germany

BY JONATHAN CARR IN FRANKFURT

FOREIGNERS DOUBLED the flow of their long-term investment into West Germany last year to DM 52bn (£15.75bn), attracted by improving economic prospects and the further liberalisation of the capital market. As a result, the country's long-standing deficit on long-term capital transactions dropped sharply in 1985 to DM 3.6bn after one of DM 15bn in 1984. The last quarter of 1985 even brought a small surplus.

In its latest monthly report the Bundesbank notes that the inflow of foreign funds was encouraged by strengthening economic growth, rising company profits and falling inflation.

This in turn helped promote lower capital market interest rates along with expectations of a stronger D-mark. The bank points out that the currency has gained 47 per cent against the US dollar since last February, and 22.5 per cent alone since the Group of Five meeting in September which agreed on action to depress the dollar on foreign exchange markets.

The Bundesbank notes that the inflow of funds also reflects the steps taken by West German monetary authorities from the autumn of 1984 to make the domestic capital market more attractive.

The measures have included the abolition of the coupon tax (previously payable by foreigners on the interest they received from West German domestic bonds), and the green light given to financial innovations like zero coupon bonds and floating rate notes.

New foreign investment in West German bonds alone last year jumped to DM 31.3bn from DM 13.8bn in 1984, while DM 10.6bn worth of foreign funds flowed into West German shares after just DM 3.7bn before. The latter was long the key factor in the country's stock market boom, with share prices gaining an average 70 per cent over the year.

On the long-term capital export side, West German residents invested more than DM 55bn abroad last year, a rise of DM 14bn on the 1984 figure. Some DM 20bn worth of these funds went into high-interest bearing foreign currency bonds.

## Faster growth and lower inflation forecast by Ifo

BY RUPERT CORNWELL IN BONN

THE STEEP fall in oil prices should give West Germany a larger trade surplus, lower inflation and faster internal growth than previously forecast, according to a study by the authoritative Ifo economic research institute of Munich.

The study, whose preliminary findings are released today, is based on an average oil price of $18 per barrel through 1986, compared with $36 per barrel last November, when the institute drew up its previous forecasts for Europe's most powerful economy.

Ifo reckons that higher private consumption, spurred by cheaper imports and an extra 2 per cent of corporate investment, might add an extra 0.5 per cent this year to GNP growth, already estimated at at least 3 per cent.

At the same time, the 30 per cent drop in the price of oil would reduce import prices by 5 per cent, and knock 1 per cent off consumer prices in 1986. West German inflation is currently running at around 1.5 per cent a year, the lowest level in 20 years.

On the foreign trade side, an $18 oil price would reduce the country's import bill by some DM 15bn. Although this would be to some extent offset by a drop in West German exports to oil producing nations, and additional imports of consumer goods, the improvement in West Germany's terms of trade would mean a trade surplus of DM 10bn more than in 1985, when the surplus hit a record DM 73bn.

The current account, too, which r eached an unprecedented DM 38bn last year, might also in 1986 be higher than previously forecast.

## European howitzer project rescued

By Peter Bruce in Gutersloh

THE DEEPLY-TROUBLED effort by West Germany, Britain and Italy to produce a new self-propelled howitzer, one of Europe's largest military collaboration projects, and which came close to cancellation late last year, has been rescued—at least for the time being.

Mr George Younger, the new British Defence Secretary, at the end of a two-day visit to British troops based in West Germany, said yesterday it had been decided to continue collaboration on the project and that the UK "urgently" needed the weapon, the SP-70, to be in service by 1991.

Mr Younger also announced that during two hours of talks on Monday, he and his West German counterpart, Mr Manfred Woerner, had agreed to appoint senior officials to begin studying whether it would be feasible for Western Europe to develop an independent, land-based, anti-missile system to counter a future conventional threat posed by short-range Soviet missiles based in Eastern Europe.

By last November, the three SP-70 partners had begun seriously to consider cancelling the project, which is more thn 10 yers behind schedule and, having had more than 10 years behind over the past 20 years, is well over budget.

Senior British Defence Ministry officials say the national armaments directors of the three partner-countries met earlier this year to review prospects for the SP-70 and decided to go ahead with a complete redesign of the ammunition feed.

The British (who with the West Germans are the major partners) are concerned, however, about a West German proposal to use the time involved in this redesign to "modernise" other parts.

The British fear is that peripheral modifications could slow progress on the project even further. Although the SP-70 was due to come into service with the three countries at the end of the 1970s, the West Germans do not feel they need to deploy the SP-70 as quickly as do the British.

## Ozal aims to boost Turkey's credit

BY DAVID BARCHARD

THE TURKISH Prime Minister, Mr Turgut Ozal, yesterday made it clear that the main objective of his current visit to London is to establish his country's credit worthiness. He also wants to convince the international financial comunity of the merits of the joint venture models he has devised for large infrastructural investments.

Mr Ozal, who had talks with Mr Margaret Thatcher, told a luncheon given by the Lord Mayor of London that Turkey no longer depended on debt relief but still expected to be able to obtain voluntary lending from the world's money markets.

He said Turkey was trying to dispel some recent confusion about its project financing plans by introducing a queueing system for its external borrowing.

"Our aim will always be to keep our creditworthiness on the rising side," he added. The first project to be built under the "Ozal model" would be launched soon, though he did not name it. Four major power plant projects — including a 635 mW atomic power plant on the Mediterranean coast to be built by AECL of Canada with electrical generating equipment from NEI Parsons of the UK — are waiting the go-ahead.

Hugh Routledge

The Turkish Prime Minister and Mrs Thatcher pictured before their talks at Downing Street yesterday

The size ofthe financial package involved (in each case between $1bn and $1.5bn), and Turkish government insistence that, as the projects are joint ventures, no sovereign guarantee can be offered for their financing, have so far proved the main obstacles.

The Turkish Government believes that pressure from suppliers will eventually persuade banks and export agencies to accept the model and Mr Ozal's senior officials are using the visit to London to promote its merits.

The Prime Minister is moving cautiously in his effects to prepare the ground for a Turkish application to join the European Community, essentially confining his requests to the reactivation of Turkey's association agreement and to recognition of the long-term goal of full membership.

He has not proved particularly flexible on the two chief political issues straining Turkey's relations with Europe. Soon after his arrival he said that though the Cyprus problem would come up in talks during his visit, the matter was seen as more of a priority by the British than by the Turks.

Mr Ozal also continues to deflect criticism of Turkey's human rights record by challenging European public opinion to show an equal interest in the fate of the 800,000 ethnic Turks in Bulgaria who he says have been forcibly Slavicised over the past 15 months.

## French bid to harmonise military air needs

BY DAVID MARSH IN PARIS

FRANCE IS putting forward proposals for a special grouping within Nato's European members to study ways of harmonising future joint production of military aircraft.

Mr Claude Arnaud, the senior French ambassador who has just completed a tour of the other 12 members of the 13-nation Independent European Programme Group (IPEG), said the grouping would study long-term requirements for military aircraft and try to come up with methods to ensure maximum common production.

Setting up the new group, to be known as GEPAM after its French initials, will be discussed at a meeting of IPEG armaments directors in Rome on March 12-13. A formal decision would be taken by IPEG defence ministers in Madrid in late April.

West German officials say Bonn broadly agrees with the idea. The group would be intended to look at long term problems of European military aircraft procurement over a 30-year period rather than becoming embroiled in specific political controversies such as the Westland affair and current aircraft programmes.

Mr Arnaud said GEPAM could help ensure that such failures as last summer's breakdown of talks o nbuilding a joint European fighter for the 1990s were not repated. Even if Europe decided to build different aircraft, he suggested, maximum harmonisation among parts and equipment makers might lead to the building up of a "family" of aircraft types with common features.

● French unemployment rose by 2.3 per cent in January on a seasonally adjusted basis compared with December to 2.378m people. On an uncorrected basis the figure levelled off at 2.493m. On a 12 months basis, however, the number fell by 4.9 per cent.

● The slowdown in French consumer price inflation was further confirmed yesterday with provisional official figures showing retail prices rising by only 0.1 per cent last month. In January last year they went up by 0.5 per cent. Consumer prices laost year rose by 4.7 per cent and the government has fixed a target of 2.9 per cent for this year in its 1986 budget.

● Britain and France are seeking ways to intensify and internationalise exchanges of information between the two countries to combat terrorism and drug abuse, writes Paul Betts in Paris. This emerged after talks here yesterday between Mr Douglas Hurd, the UK Home Secretary, and Mr Pierre Joxe, the French Interior Minister.

Mr Joxe gave details of his recent talks on terrorism in Berne with his Swiss, Italian, Austrian and West German counterparts.

## Grishin dropped from Soviet politburo

By Our Moscow Correspondent

MR VIKTOR GRISHIN, the long-standing Moscow Communist party leader removed from that job on Christmas Eve, was dropped from the politburo yesterday and the capital's new party chief was promoted to non-voting membership.

The retirement of Mr Grishin, one of the last allies of the now-maligned President Leonid Brezhnev left in the Soviet leadership, was announced after a meeting of the Communist party's central committee by the official news agency Tass.

The committee, whose 300-plus members met for the last time before a new committee is chosen at this month's national party congress, also approved the retirement of Mr Konstantin Rusakov (76), another Brezhnev man and long-time chief of the Soviet party's relations with East bloc parties.

Mr Grishin (71) had been expected to lose his Politburo seat since Mr Boris Yeltsin, a 55-year-old Siberian with ties to powerful allies of Mr Mikhail Gorbachev, succeeded him as Moscow party chief.

Mr Yeltsin delivered a strong attack on the past administration of Moscow last month. Without naming Mr Grishin, he suggested that his predecessor's 18 years as Moscow party leader had made the city notorious for corruption, inertia and excessive bureaucracy.

Only three survivors from Brezhnev days remain on the 11-man Politburo: Mr Andrei Gromyko, now holding the largely ceremonial post of President: Mr Vladimir Shcherbitsky, party chief in the Ukraine; and Mr Dinmukhamed Kunaev, party chief in Kazakhstan.

## Senior East German visits Bonn

BY OUR BONN CORRESPONDENT

THE PRESIDENT of the East German Parliament (Volkskammer), Mr Horst Sindermann, arrives here today for a three day visit during which Bonn is hoping for confirmation of signs that East Berlin may be ready to permit some increase in humanitarian contacts between inhabitants of the two countries.

Mr Sindermann's stay will be the first by a Volkskammer president, who ranks third in the East German hierarchy. Not unexpectedly, the visit has stirred speculation that this could be a precursor for a trip by Mr Erich Honecker, the East German leader.

He is coming at the invitation of the opposition Social Democrats (SPD), but the focus of attention will be on his scheduled meetings with Mr Philipp Jenninger, the Bundestag president, and Chancellor Helmut Kohl.

Whatever the concrete results of the trip—and officials here are inclined to believe they will be meagre—the very fact that it is taking place is a small triumph, given the problems of protocol which bedevil relations between the two German states.

While the Social Democrats have hailed their achievement in bringing Mr Sindermann here as a big advance for contacts between the two countries, his presence, and above all his meeting with Mr Jenninger—has been contested by right wing elements within the Chancellor's Christian Democrat party.

These latter have objected in particular to the meeting with the Bundestag president on the grounds that Mr Sindermann and the delegation accompanying him represent an artificially elected assembly whose existence symbolises the division of Germany and the inability of East Germans to vote in democratic elections.

# OVERSEAS NEWS

## Israelis intensify search for soldiers

By Andrew Whitley in Jerusalem

ISRAEL yesterday stepped up its military presence in southern Lebanon to levels last seen during the spring campaign against restive Shi'ite moslem townships, as the intense search continued for two Israeli soldiers kidnapped by guerrillas on Monday.

Many hundreds of soldiers, backed by tanks, naval units and helicopter gunships have been sent north of the eight mile deep Israeli "security zone" in southern Lebanon in an operation which has taken on wider dimensions over the past 24 hours.

Military officials say the three goals of the operation are to find the missing soldiers — a prospect regarded as increasingly remote—to interrogate the Shi'ite villagers of the area about guerrilla activity, and to prevent a panic exodus to the north of local residents. "This would be a destabilising factor," one officer commented.

Meanwhile, Prime Minister Shimon Peres vowed that Israel would not let up its military sweep of the region "until we exhaust all possibilities of discovering their (the kidnapped Israelis) whereabouts and of seizing the guilty persons."

The only death officially confirmed yesterday was that of an Israeli soldier aboard a naval gunboat patrolling off the Lebanese coast near the city of Tyre. An official said he was killed by sniper fire from the shore.

Although there has been no word from the group responsible for the capture of the two Israelis, officials said they believed the fundamentalist Islamic group, the Hizbullah, or Party of God, was behind what appears to have been a prearranged attack.

Nora Bustany in Beirut adds: The Islamic Resistance Front, which group Sunni and Shi'ite factions, said it had killed 10 Israelis so far. It said that a list of demands and photographs of the two captives could be released soon.

Lebanon's state-run Beirut radio station reported that guerrillas had hit and sunk an Israeli warship off the southern coast.

**John Elliott** reports on the vexed question of river use and development between three nations

## Ganges waters flow into delta of discontent

INDIAN AND Bangladeshi officials will shortly start measuring the massive flow of water in the sacred River Ganges near Calcutta in an attempt to tackle a major dispute which may not finally be resolved till after the year 2000.

Their findings could help to heal one of South Asia's most intractable sources of tension, which also raises international questions about the rights of countries to have a say in how neighbours tap the flow of rivers.

They could also lead to major dam and canal projects costing, according to some estimates, as much as $15bn over the next 15 to 20 years.

Sharing the waters of major rivers like the Ganges and Indus has been a cause of controversy on the Indian subcontinent for many years. In the late 1940s India and Pakistan had disputes over sharing the massive River Indus and southern states in India are now battling over their local economically important rivers.

The Ganges dispute is souring relations between India and two of its neighbours—Nepal, whose mountains provide the Ganges with up to 70 per cent of its flow, and Bangladesh, which needs more water.

"Water is the major issue between us," says Mr Anasul Mahmood, Minister For Irrigation in Bangladesh. He hopes that the new mood of co-operation in the region introduced by Mr Rajiv Gandhi, the Indian Prime Minister, will help solve a problem that began to build up 35 years ago when India first proposed building the massive Farakka barrage on the Ganges just above Calcutta.

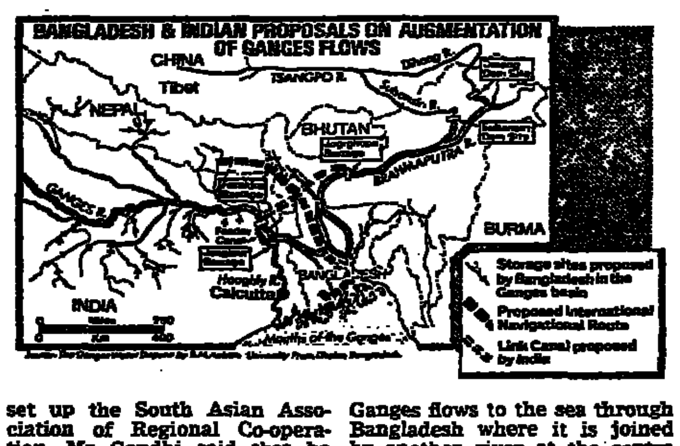
For most of the years since Farakka was opened in 1975 for what was euphemistically described as a trial run, many thousand cubic feet of water have been diverted away from Bangladesh and down India's short Hooghly River to sluice silt out of the major port of Calcutta into the Bay of Bengal.

Since 1975 India has done little to help Bangladesh, which complains that loss of Ganges water has caused major salinity problems up to 200 miles inland.

India is supremely powerful in the dispute because it can find domestic funds to carry out its own water projects. Bangladesh has no funds of its own and has to rely on the World Bank and other international agencies, which are refusing to lend it money until the basic dispute is solved.

When the late Mrs Indira Gandhi was Prime Minister, India's determination to dominate the region and stop any of its smaller neighbours combining against it meant that no progress was made and no talks were held with either Nepal or Bangladesh.

Following last December's summit in Bangladesh which set up the South Asian Association of Regional Co-operation, Mr Gandhi said that he was prepared to hold joint talks with both countries. This statement worried his officials, who are emphasising that he also said such talks would need considerable preparation. The detailed measuring of the flow at Farakka is the first step in those preparations and the work is expected to take ten months.




The Ganges rises 23,000 ft up on the southern slopes of the Himalayas in north western India and then winds its sacred path eastwards along the top of India, gathering major urban pollution, now being tackled by Mr Gandhi.

After turning southwards over the Farakka barrage, the Ganges flows to the sea through Bangladesh where it is joined by another river at the centre of the controversy. This is the Brahmaputra, which rises in China and flows eastwards as the Tsangpo River, then suddenly turning back on itself through the furthest north-eastern states of India and then southwards through Bangladesh to the Ganges and the sea.

The Farakka barrage was built to push 40,000 cubic feet per second (cusecs) of Ganges water down the Hooghly to Calcutta. Since the flow of the Ganges in the leanest month of April is only 55,000 cusecs, this leaves only 15,000 cusecs for Bangladesh which says it needs and has a right to all the 55,000 cusecs.

The primary issue is how to increase the flow of the Ganges so that India has enough water to clean Calcutta port and Bangladesh has enough in the four or five lean months each year to push back the salt of the Bay of Bengal.

Land-locked Nepal has its own separate primary interest—to establish a navigable waterway to the Bay of Bengal.

For all three countries, major projects would provide spin-off advantages of hydroelectricity, flood control, and irrigation, boosting the region's poor electricity supplies and helping to solve the problem, specially acute in Bangladesh, where large areas swing rapidly during the year from desert to flood plains.

For many years Bangladesh has had plans to put storage dams in the upper reaches of the Ganges but these were always resisted by India which refused to spare the land.

India refused to let Nepal be drawn into the issue with Bangladesh and proposed construction of a 200-mile-long canal, half a mile wide and 30 ft deep, to carry 100,000 cusecs of water across Bangladesh from the under-utilised Brahmaputra to the Ganges just above Farakka. This would probably cost at least $20bn.

The scheme was rejected by Bangladesh which complained it would cut its country in half and could be controlled solely by India. It could also cause flooding if its walls burst into 18 rivers it would cross.

The debate became deadlocked until last year when Mr Mr Gandhi and President Ershad of Bangladesh renewed a 1982 temporary agreement on sharing the waters and authorised the study of the water flows that is just starting.

There are now three possible solutions. The simplest but hardest for Bangladesh would be for it to give up all its claims to the Ganges and to rely for its water on developing the Brahmaputra which would be forsaken by India.

A second compromise would involve India halving the bulk of the canal and promising Bangladesh extra Ganges water when Nepal allowed it to build dams. This would probably require a higher-level of personal commitment and political leadership than Gen Ershad could deliver.

The third and cheapest solution would be for Bangladesh and India to agree to shape the existing water and to abandon, at least for the time being, all plans to augment the Ganges.

That at least would clear the way for the World Bank to carry out a feasibility study for future projects. "It is a very long term problem, there are no quick solutions, we are really talking for the next century," says a World Bank official.

## Carrian fraud trial likely to cost £6.5m

By David Dodwell in Hong Kong

AS THE long - awaited Carrian fraud trial begins in Hong Kong today the registrar to the local supreme court is mounting an unprecedented search for jurors for what has been called "one of the most expensive history lessons ever taught" in the territory.

About 400 people have been summoned to appear for jury service in a trial that will last for at least nine months, is likely to cost the government a total HK$72m (£6.5m), and is without doubt the most complex ever heard in Hong Kong. It will assemble the first nine-person jury ever to sit in a Hong Kong court.

When the Carrian group, which was involved in property and shipping, collapsed in October 1983, it had debts estimated at HK$10bn.

The collapse rocked Hong Kong's property and stock markets, and has been linked with murder, a suicide, and scandals at the highest levels of the Malaysian Government.

Charged with conspiracy to defraud Carrian shareholders are Mr George Tan, the former head of Carrian, Mr Bentley Ho, a former director of Carrian, Mr David Begg, a partner in Price Waterhouse, the international accountancy firm, Mr Anthony Lo, a Price Waterhouse employee, and the brothers Mr Rogerio and Mr Stephen Lam, executives in the Hong Kong-based group Bylamson Associates.

The search for jurors has been widened because of the difficulties expected in assembling nine people able to attend a trial which will last at least nine months. Most business executives fear such a sustained absence from work would damage their business or their careers.

In addition, a critical plank in the defence case for the six defendents will be that widespread pre-trial publicity over Carrian has undermined any chance of a fair trial.

All previous trials in Hong Kong have had juries of six people. New laws have been introduced in recent weeks allowing for nine-person juries in long trials.

## Fighting in Gulf war close to deadlock

BY KATHY EVANS IN KUWAIT

THE latest fighting in the Faw Peninsula between Iran and Iraq appears to be fast reaching a deadlock.

Iraq's *daily communique said* it had repulsed an Iranian attack and was continuing its three-pronged advance towards Iranian positions in the Faw area. However, one column moving along the main Basra Faw road had advanced only 500 yards, recovering ground it had lost the previous day.

The central column pushed ahead only 600 yards, while a third prong close to the Khor Abdullah waterway had progressed just over a mile.

Iranian forces launched another attack yesterday despite Iraqi claims that it had cut Iran's supply lines across the Shatt al-Arab river.

Brigadier Jassim al Hayani, Iraqi commander of one of the columns advancing, said Iran was continuing to attack "the whole front" in the peninsula.

A fierce battle had taken place, which left 1,200 Iranians dead within five hours, he said.

However, Iran said its forces were continuing to advance north and westwards from the Faw area, and that its troops had captured 60 Soviet-made T-72 tanks from Iraq along the road to Umm Qasr.

In Kuwait, Parliament went into closed session yesterday to discuss the recent "perilous events" in the region, and heard a report submitted by acting Premier and Foreign Minister Sheikh Sabah al Ahmed on his recent contacts in Damascus and Baghdad.

## Australia to tax currency capital gains

GAINS and losses arising from foreign exchange capital transactions in Australia are being drawn in the income tax net, Reuter reports.

Currently, trading account foreign exchange profits and losses are in the income tax régime, but not capital transactions. For companies, tax will be the 46 per cent corporate tax rate.

Australia's Treasurer Paul Keating said yesterday that foreign exchange capital gains and losses would be assessable and deductible respecvtively.

The decision relates to borrowings or loans contracted after midnight last night, all delayed payments for acquisition of assets, and delayed receipts for sales of assets under contracts entered into after midnight.

## Donors endanger Sudan food aid programme

BY MARY ANNE FITZGERALD RECENTLY IN KHARTOUM

A REVOLUTIONARY plan to supply food to 3.6m people estimated to be at risk from famine in the Sudan this year may collapse if funds so far pledged are not committed.

The plan, devised to promote self-reliance in food production, calls upon international donors to provide aid in hard currency which can be used to purchase the local grain surplus and *transport it to areas of need.* Such a system should make the extremely expensive alternative of airlifting foreign grain into drought stricken areas unnecessary.

However to avert famine in some parts of the country, particularly the West, food deliveries must be made between now and November.

The United Nation's Food and Agriculture Organisation (FAO), has said that $115m (£82m) will be needed to purchase and transport 230,000 tonnes of locally grown sorghum.

Although aid agencies have received substantial pledges from donors, so far only the European Community has actually committed funds, amounting to 10m Ecus. The US *has promised to underwrite* 50 per cent of the aid, once this has been matched by other donors.

Western diplomats in Khartoum have been encouraged by the strength of Sudanese subsistence agriculture, even under *appalling* conditions. The new aid plan is designed to bolster rather than undermine local production.

## Museveni sets timing for civilian rule

President Yoweri Museveni said in a legal proclamation yesterday that his three-week-old government was an interim one and would not hold power for more than four years, AP reports from Kampala.

The proclamation, which appeared in the official Government gazette, also said the new government would honor "all liabilities and legitimate obligations" incurred by the former governments of Uganda. It noted that all of the executive powers outlined in the constitution would pass to the ruling National Resistance Council.

The announcement also blocked any legal proceedings against *President Museveni's* National Resistance Army fighters stemming from their nearly five-year insurgency.

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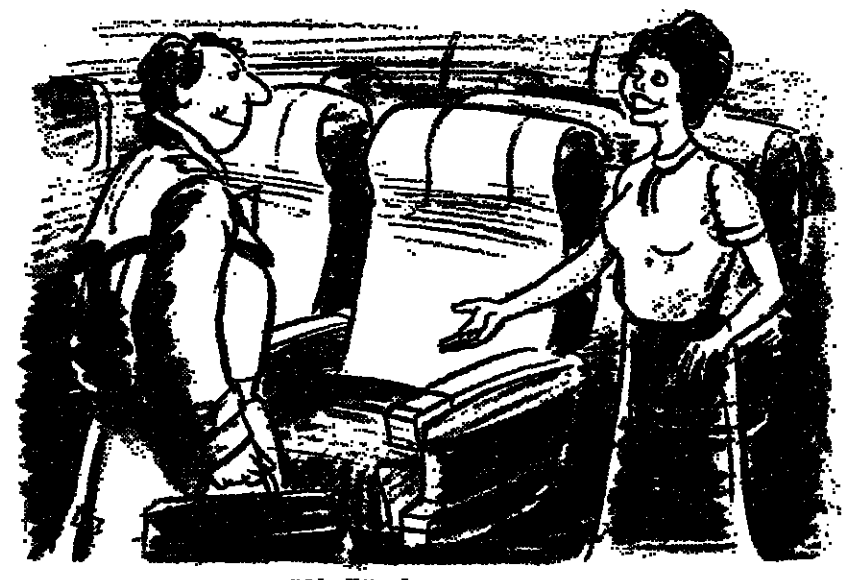
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"Champagne, sir?"


"Your menu, sir."


"Enjoy your meal, sir."


"More coffee, sir?"


"The film soundtrack's on Channel 2."


"Would you like a blanket as well?"


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# Big improvement seen in US budget outlook

BY STEWART FLEMING IN WASHINGTON

THE OUTLOOK for reducing the US budget deficit has "improved dramatically" since last summer, according to the Congressional Budget Office (CBO), the non-partisan agency of Congress responsible for analysing the fiscal impact of legislation.

In its report to the Senate and House Budget Committees on the budget outlook, the CBO says it expects the deficit to decline from an estimated $208bn (£149bn) in 1986 to $181bn in 1987 and $104bn in 1991.

Last August the CBO projected a deficit of $229bn in 1987 rising to $285bn in 1990.

The new projection remains significantly higher, however, than the targets set by the Gram-Rudman-Hollings budget reform legislation passed last year. This calls for Congress to trim the deficit to $144bn in 1987 and to eliminate the deficit by 1991. In his budget message to Congress earlier this month President Ronald Reagan laid out spending proposals which would achieve these targets.

The CBO assumes the biggest savings between 1986 and 1990 will come from a more moderate growth in defence spending. It assumes Congress will authorise no real growth in the defence budget over this period and lower defence outlays will cut $96bn off the earlier $285bn deficit forecast for 1990. In his budget, President Reagan is seeking continued sharp increases in defence spending.

Lower interest costs, the CBO assumes, will cut outlays by $51bn. Federal revenues will continue to rise in response to inflation and growth, but spending will grow only slightly faster than the rate of inflation.

The CBO says it expects real gross national product to rise to 3.2 per cent in 1986, compared with the 2.3 per cent last year. Growth in the 1987-1991 period is assumed to run at between 3.1 per cent and 3.5 per cent.

In its budget proposals the Reagan Administration is projecting steady growth of close to 4 per cent over the next few years.

# Reagan to seek $100m in aid for Contras

By Reginald Dale, US Editor in Washington

PRESIDENT Ronald Reagan is to ask Congress for about $100m (£71.4m) in aid for the anti-government Contra rebels in Nicaragua, much of it in the form of arms and ammunition, Senator Richard Lugar, the Republican Chairman of the Senate Foreign Relations Committee, said yesterday.

Mr Reagan disclosed his plans, which will face stiff Congressional opposition, in a meeting with Republican leaders at the White House yesterday. Congress last year cut off military aid to the rebels and instead provided $27m for a humanitarian aid programme, which is expected to run out of funds next month.

Mr Lugar said that Mr Reagan was proposing another $30m for humanitarian aid, such as food, clothing and medicines, and $70m for covert military assistance. The type of weapons and the method of distribution would be at "the President's discretion."

Mr Lugar said that the President had made "a strong case" for renewed military aid, and predicted quick approval by the Republican-led senate.

A harsher political approach is coinciding with the oil price fall, writes **Stewart Fleming**

# US changes perception of Mexico

"POOR MEXICO. So far from God, so close to the United States," the Mexican dictator Porfirio Diaz is supposed to have said:

Over the next few months the Mexicans are likely to have ample cause to reflect on that remark.

For as America's southern neighbour once again faces financial collapse in the wake of the plunging oil price, politicians in the US are likely to focus their attention more closely on a relationship which has rarely been easy.

US interests in Mexico are of course, immense. Mexico is its third largest trading partner, behind Japan and Canada. According to Dr Bruce Bagley of the Johns Hopkins School of Advanced International Studies, corporate direct investment in Mexico totals $15bn. Mexico is the largest US supplier of oil, having supplanted Saudi Arabia.

US banks are estimated to hold about $25bn of Mexico's $72bn of bank debt, and bankers in south-western states, already hit by the problem that plunging oil prices poses for their local economies, are particularly concerned about their Mexican loans.

Politicians in these regions fear another flood of illegal immigrants if the Mexican economy slumps into recession again, as well as job losses in businesses with significant Mexican-related operations.

HAPPIER DAYS: Presidents Reagan and De la Madrid during the latter's visit to the White House

"A Mexican economic collapse would cause massive disruption in the US economy and the entire western financial world," says Dr Bagley.

Capitol Hill has not really begun to turn its attention to the looming crisis, but the White House, State Department and the Treasury have Treasury officials last week were busy issuing blunt warnings that Mexico had better scale down its hopes of extracting $9bn in new money loans from the International Monetary Fund, the World Bank and commercial bankers.

They made it clear that this time Mexico would have to bite the bullet of domestic economic reform in return for new money —and $6bn seems to be the figure at which the US wants to open the bidding since Mexico cut its oil price to $15 a barrel last week. US officials say Mexico knows it has not pushed ahead with economic reform fast enough in the wake of its 1982 crisis which signalled the beginning of the developing country debt crisis.

The US position reflects some local political realities. President Ronald Reagan has climbed firmly aboard a programme of fiscal austerity in his budget message to Congress, and Congress is already saying that if he wants to cut domestic spending programmes, he should not support for additional aid.

Senator Jesse Helms, the arch-conservative, influential chairman of the Senate Foreign Relations Sub-committee on Western Hemisphere Affairs is considering holding hearings on US-Mexican relations next month.

Such hearings could be expected to echo conservative judgements that not only is Mexico's economy a statist breeding ground for corruption, but that the time is overdue for it to start reforming its political structures and move firmly in the direction of embracing true (capitalist) democracy.

Mr James Baker, the Treasury Secretary, is too much the pragmatist to endorse such an agenda, but his plan for reinforcing the Third World debt strategy calls plainly for structural economic reforms in debtor countries.

Central to the economic reforms the US will be looking for are measures designed to halt capital flight, which is estimated to be siphoning $1bn a month out of Mexico.

US officials also argue that there are economic reforms which Mexico can make which do not require larger borrowing, in particular efforts to open up its economy to foreign direct investment and to make use of provisions in its last rescheduling agreement with the banks which permit private sector debt to be swapped into equity.

Lurking near the surface, particularly following the example of the Philippines, are concerns about the long-term stability of the Mexican political system. Although not in political crisis and not threatened by a Communist insurgency, the system is widely perceived in the US to be not particularly attractive and also to be losing support.

The view in Mexico, in some ways, appears to be similar. Professor Jorge Castenada of the National University of Mexico, writing in the winter edition of Foreign Affairs magazine, says: "The (Mexican) Government clearly does not have the broad-based political support to carry out the structural changes which in the short term would entail hardship and privation for many sectors of Mexican society."

But he adds: "To a man, Government officials, businessmen, intellectuals and journalists in Mexico believe that American pressure, regardless of its immediate effects, not only does not contribute to bringing . . . (changes) about, but . . . represents a significant obstacle to significant reform. Very little can be achieved in Mexico without US support, but even less can be done if that support is too obtrusive."

At his meeting with President Miguel de la Madrid in Mexicali at the beginning of the year, President Reagan promised American economic help. Both sides, it seems, are going to find it harder to define the terms on which that help is supplied.



# US can makers call strike over wages

BY TERRY DODSWORTH IN NEW YORK

THE FOUR leading companies in the US can manufacturing industry are digging in for a battle over wages with the United Steelworkers of America union (USW), which has called its members out on strike after the failure of contract negotiations.

The test of strength came after the USW rejected a proposal for a $400 (£285) year-end bonus per worker in place of annual wage increases. Just over 13,000 workers are involved in the dispute, affecting 75 plants around the US.

Union negotiators said that the action against the four companies had been taken because the offer, amounting, they claimed, to an increase of 10 cents an hour over the three years covered by the proposal, was insufficient from an industry that was in profit. Bonus payments are being increasingly used in the US to keep down inflationary increases by giving a one-time rise which is not consolidated into basic pay.

Negotiations had been going on with National Can, the third largest group in the US industry, on a pattern-setting deal which would have served to set the framework for contracts throughout the sector. But when the talks failed, the union called out its members in National and three other leading can-making companies — Continental, American Can and Crown Cork.

Although established can making companies in the US have come under pressure over the last few years from producers in low wage areas of the country, the industry has largely remained in profit. Nevertheless, closures of marginal operations have cost about 30,000 jobs since 1983, and the union had indicated that it was willing to accept a moderate settlement.

Wages are among the highest in US manufacturing industry, standing at well over $20 an hour on average including benefits.

Meanwhile, strikers involved in the bitter dispute at the Hormel meat packing works in Southern Minnesota, have been strongly criticised by the AFL-CIO, the umbrella organisation for the union movement in the US. The Hormel strikers appear to be increasingly isolated, after earlier losing the support of their union leadership in the United Food and Commercial Workers.

# Argentina reduces export taxes on commodities

BY JIMMY BURNS IN BUENOS AIRES

THE ARGENTINE Government has reduced export taxes on a range of commodities and increased the price of meat and dairy products in an attempt to dampen growing public criticism of its economic programme.

Mr Lucio Reca, Secretary for Agriculture, said the measures were aimed at alleviating the farming sector which has been hit by domestic price distortion, bad weather, and falling international prices for grains and meats — commodities which together represent over 70 per cent of Argentina's export revenue.

Farmers had earlier complained that they had been excluded from the Government's announcement on February 6 which referred to privatisation of state companies and measures for stimulating industrial exports.

Early indications yesterday showed that the latest initiative has failed to satisfy the farmers and fuelled further a growing confrontation between government and labour in an apparently irreconcilable struggle for a greater share of limited state resources.

Societad Rural, one of the main farmers' associations, said the reduction of between 5 percentage points and 14 percentage points of the export tax on a range of commodities including sorghum and maize, but excluding some flour, soya, and wheat in the 1985-86 harvest, and the announcement of a common 15 per cent export tax on all grain exports for the 1986-87 harvest, were "insufficient" to compensate for a recent fall in output and adverse international conditions.

According to recent official estimates, Argentina's total grain production in the 1985-86 harvest will be 22.5m tonnes, down 20 per cent from last year.

The increase in meat and dairy prices has pleased farmers who had in recent weeks been withholding their cattle from market because of an "inadequate" return on their investment.

However, the measures put a question mark over the future stability of the Government's prices and wages freeze imposed last June.

The main trade union organisation, the General Confederation of Labour (CGT) yesterday called an "emergency meeting" as railway workers, pilots, and bus drivers threatened renewed strike action over pay.

# Mexican envoy to stress openings for UK investors

BY OUR MEXICO CITY CORRESPONDENT

MEXICO intends to give new impetus to trade with and incoming investment from the UK, according to Mr Jorge Eduardo Navarrete, the new Mexican ambassador to London.

Mr Navarrete, who takes up his post this week, wants to underline the opportunities for potential British investors in Mexico, rather than stress the restrictions on foreign capital, as Mexico has tended to do in the past.

"We would like investors to take a longer term view," Mr Navarrete says. "Our role needs clarifying for foreign investors; we used to tell them what they cannot do. This attitude has changed but we need to take it further by offering a varied selection of concrete investment projects where research has already been done."

Mr Navarrete was until August the deputy foreign minister in charge of economic affairs. Prior to that he had been ambassador to Venezuela, Austria and Yugoslavia, and was Mexico's representative at the UN in 1979.

His particular specialities are oil and debt, and he was a prime mover for Mexico in setting up the Cartagena Group of 11 Latin American debtor nations just under two years ago.

# WORLD TRADE NEWS

LINK WITH NEW GATT NEGOTIATIONS

## EEC ministers set target on MFA quotas

BY QUENTIN PEEL IN LUXEMBOURG

EEC trade ministers set themselves a target yesterday of reducing the number of textile import quotas by 25 per cent in the next extension of the Multi-Fibre Arrangement (MFA), as part of a package of cautious liberalisation.

The move would reduce the number of quotas, currently some 600, by 150. It would include the abolition of any quotas currently underutilised, considered case-by-case.

The ministers also agreed in principle that the number of bilateral agreements with textile exporting countries operating alongside the MFA should be reduced and that annual growth rates should be increased.

In a key political gesture they also agreed that measures to liberalise the world textile trade and move back towards the rules of the General Agreement on Tariffs and Trade (Gatt) should be included in the forthcoming negotiations on a new Gatt round.

Mr Frits Bolkestein, the Dutch Trade Minister who chaired yesterday's meeting, said it was premature to see the planned extension of the MFA as the last but that the EEC position "could lead to a gradual liberalisation of trade in textile products."

The ministers agreed on eight of the 35 items in their planned negotiating position for the forthcoming MFA talks, as proposed by the European Commission.

Apart from the link between the MFA and the new Gatt round, they included the reduced number of bilateral agreements; the reduction in quotas; the base level on which to apply growth rates; how to deal with new textile producers; and how to deal with sudden surges in textile sales.

Spain and Portugal both placed general reservations on the agreement, but the ministers now hope to finalise their negotiating position at their next meeting on March 10.

The problem for the EEC is to find a common negotiating position between those countries urging liberalisation, such as West Germany, and those countries seeking continued protection, such as France and now Portugal.

Mr Bolkestein said they had been able to make "real headway" on some of the most important points. "We have not got there yet, but we have been able to add a lot of useful building blocks to the edifice," he said.

## West Germans top EEC complaints to Tokyo

BY PAUL CHEESERIGHT IN BRUSSELS

WEST GERMAN companies use the Office of Trade and Investment Ombudsman in Tokyo more than any other national group in the European Community to sort out their grievances on trade with Japan.

The Ombudsman's Office was set up four years ago to handle complaints from exporters to the Japanese market troubled by import procedures.

Since the, West German companies have filed 16 of the 32 complaints from the European Community, said Mr Yoshio Okawara, one of the chiefs at the Ombudsman's Office.

Six complaints have been received from the UK but other countries of the Community have put in only one or two each.

One of the objects of Mr Okawara's visit to Brussels was to find out why the Ombudsman's Office is so sparsely used, given the sound and fury in the Community over Japan's trading policies.

## Go-ahead for Brussels action on Japan

By Quentin Peel

TRADE MINISTERS of the EEC yesterday gave the go-ahead for the European Commission to re-examine taking action against Japan under the General Agreement on Tariffs and Trade (GATT), because of continuing problems in penetrating the Japanese market.

They gave broad backing to the outlines of the Commission strategy to cut the EEC trade deficit with Japan, now totalling some Ecu 18.9bn (£11.3bn) and intend to finalise their plan of action next month.

The ministers refused to budge from their previous insistence that Japan should set "verifiable and quantifiable" import targets to measure progress in opening up its domestic market—in spite of the repeated rejection of such a course in Tokyo.

In a first discussion of the Commission plans, they rerepeated their statements made in March and October last year, calling among other measures, for more efforts by the Japanese Government to stimulate internal demand, and to increase the value of the yen against European currencies as well as against the dollar.

National officials will now seek to flesh out the trade strategy of the Community, including how to ensure the opening of the Japanese market for financial institutions.

Mr Frits Bolkestein, the Dutch Trade Minister, said all the member-states backed the Commission proposal to re-examine the Gatt action against Japan and report back later in the year.

Such proceedings were begun by the last European Commision, but subsequently put on ince.

● Pressure on Japan to give greater access to European imports is expected to increase within the next few weeks as top EEC officials are planning to visit Tokyo for fresh talks in several product areas. Carla Rappert reports.

The high-level officials, expected in Tokyo by late March, are likely to have talks with their Japanese counterparts on the subject of wine and liquor imports, the progress of Japan's action programme aimed at boosting imports, and the prospect of establishing an industrial co-operation centre in Tokyo.

## Oil price plunge hits East Europe

BY LESLIE COLITT IN BERLIN AND DAVID BUCHAN IN LONDON

EASTERN EUROPE, like the Soviet Union, has been hit hard by the plunge in world oil prices. Moscow's six East European partners in Comecon are paying well above the world market price for their imports of Soviet oil, and as re-exporters of Soviet and Opec oil they are earning less hard currency by the day.

The price for Soviet oil imported by Eastern Europe is based on a five-year moving average of world prices. This was beneficial when the Opec price was rising. But, with the international price of oil nearly at its 1979 level, the situation is reversed.

East Germany, for example, is paying Roubles 180 per tonne (around $28 a barrel) for Soviet oil, against Roubles 56 per tonne in 1979. Hungary, according to Mr Miklos Pulai, deputy head of the Budapest planning office, is paying around $23-24 for oil contracted in long term deals with Moscow. It has to pay $27 or more for any quantities above these long-term contracts.

Despite the common Comecon price formula, prices to individual countries vary according to quality of goods bartered for the Soviet oil and to the degree of direct investment in Soviet energy production. Romania, however, relies far more than its Comecon partners on Opec oil, and thus stands to gain more from the Opec price fall.

Eastern Europe in recent years has obtained about one quarter of its hard currency earnings from the sale of Soviet and Opec oil in the West. By reducing their own consumption of oil, the East Europeans managed to re-sell significant amounts of Soviet crude as refined products in the West. They have also obtained Opec oil — in barter for industrial and agricultural products and sometimes weapons — and resold it in the West.

The Institute of German Economic Research (DIW) in West Berlin noted that East Germany imported 23m tonnes of oil in 1984. The Soviet Union supplied 17m tonnes while the rest came from countries such as Iran and Iraq.

East Germany consumed only 10m tonnes and resold 13m tonnes to the West. In recent years, about 40 per cent of East Germany's hard currency earnings have come from oil sales on Western markets.

Czechoslovakia has also exported Soviet and Opec oil to the West — about 3m tonnes in 1984 — while Hungary sold roughly the same amount. Bulgaria was earning windfall profits from sales of Soviet oil in the West until a few years ago when supplies were reduced.

While the East Europeans may be paying less in bartered goods for Opec oil, they are also receiving less for the oil and oil-derived products they sell in the West.

As a result, Mr Pulai forecast, that Hungary could see its exports to the West fall by $100m this year.

He added that Hungary faced a further dilemma—whether to allow the oil price fall to be reflected in domestic oil prices. Since 1980, regardless of the Comecon price at which it bought oil, Hungary has charged its consumers the full world price.

Now, in order to help its exporters stay competitive in the West, the Budapest Government was considering whether to cut domestic energy prices across the board, or to introduce selective subsidies to certain key exporters.

The Soviet Union stopped selling oil on the spot market in the West in January because of the price fall. It was estimated that with every $1 drop in the price of oil Moscow loses more than $550m in hard currency earnings. DIW said the shortfall in Soviet earnings from oil exports to the West this year could amount to between $3bn and $5bn.

But the Soviet Union has large hard currency reserves and ample gas and gold to sell in the West, while Eastern Europe has few other goods which are readily saleable on Western markets. With the possible exception of Czechoslovakia, the East European countries also have considerable Western debts which must be repaid. This points to continued East European sales of oil in the West, although at a reduced rate.

Some relief for Eastern Europe could be obtained if Moscow switched to pricing its oil closer to the world level. This was hinted at after last year's Comecon summit conference in Moscow but concrete steps did not follow. The Soviet Union can ill-afford to reduce the amount of goods it imports from Eastern Europe at the same time as its earnings plunge from sale of oil to the West.

EASTERN EUROPE'S OIL IMPORTS IN 1985 (million tonnes)

| | |
|---|---|
| Bulgaria | 13.4 |
| Czechoslovakia | 17.3 |
| East Germany | 23.9 |
| Hungary | 8.6 |
| Poland | 14.8 |
| Romania | 13.9 |

Source: PlanEcon, Washington D.C.

NESTE Oy, Finland's state-owned oil company, has negotiated a cut in the price it pays for Soviet crude that reflects the price falls on world markets, Reuter reports.

It gave no details of the extent of the cut.

The company said it had signed an agreement with Soyuznefteexport, the Soviet crude supplier, on deliveries of 8.5m tonnes of Soviet crude in 1986, and that world market prices were applied to Soviet-Finnish crude trade.

Market analysts said they did not expect the new price to be under $20 a barrel.

## Amoco signs oil search agreement with Peking

By Robert Thomson in Peking

AMOCO ORIENT petroleum yesterday signed an oil exploration agreement with the China National Offshore Oil Corporation for a block in the South China Sea. It is the second contract to be signed here by the US company in recent months.

The contract area is about 220 kilometres off the coast of Guangzhou, in southern China, and covers an area of 689 square kilometres, with a water depth of about 120 metres. The area is adjacent to a block Amoco contracted to explore last November.

China has signed contracts with six foreign companies in the second round of bidding for offshore exploration rights. This is still well down on the 19 contracts signed in the first round of bidding.

Chinese officials had hoped to finalise all contracts for the second round by early 1986, but foreign oil company officials say negotiations are likely to continue for at least several more months and the total number of contracts will be far below the first round.

Under the new contract, Amoco Orient will fund all of the exploration costs and the state-run China National Offshore Oil Corporation is entitled to a 51 per cent share in the development of any finds.

## Fokker shares in Fl 182m deal to modernise F-16s

BY LAURA RAUN IN AMSTERDAM

FOKKER, the Dutch aerospace company, will receive the major share of work under a Fl 182m (£41m) four-year programme to modernise 1,100 F-16 jet fighters in five countries.

Several other Dutch companies will also receive smaller contracts under the programme which involves F-16s in the Netherlands, the US, Belgium, Denmark and Norway.

Fokker has produced F-16 components and assembled the aircraft for some time and will continue to do so until the early 1990s.

The aircraft's electronics will be standardised by installing new avionics and updating the flight deck, and fight stimulators will also be modernised.

● Canada's federal Government is committing C$282m (£148m) to help Pratt and Whitney Canada (PWC)) and Spar Aerospace develop new projects over the next five years, writes Robert Gibbens in Montreal. PWC is to develop the PW300 medium-sized turbofan and two helicopter engines requiring nearly C$600m investment through to 1991. West Germany's Motoren and Turbinen Union will co-operate on the PW300.

Spart will get C$130m of government funding for developing new satellite communications systems for international markets.

## Italians agree Moscow loan

By Alan Friedman in Milan

A $150m (£107m) medium-term loan for the Soviet foreign trade bank has been agreed in Moscow by a consortium of 15 Italian banks led by Banca Commerciale Italiana.

The loan, believed to be seven or eight years in maturity, is designed as project finance in connection with the $970m contract awarded by Moscow last summer to Italimpianti, the Italian state engineering company which will build a steel tube plant at Volzhskiy, near Volgograd.

The multi-currency bank credit will include Banca Nazionale del Lavoro, Banco di Napoli, Banco di Roma, Credito Italiano and Istituto San Paolo di Torino as co-managers.

## China in bid to improve efficiency at ports

BY ROBERT THOMSON IN PEKING

THE CHINESE Government has transferred control of two major ports, Shanghai and Dalian, from central to local authoritieses in a bid to improve their performance.

All Chinese ports have previously been under the control of the Ministry of Communications. Zhao Weichen, Vice-Minister of the State Economic Commission, said the decision to transfer power was made following a successful trial at Tianjin, near Peking, where local authorities apparently subcontracted port service work.

About one third of China's sea freight is handled by Shanghai port. Last year, the port was highlighted by the Chinese press for its inefficient handling of cargo, and soldiers were called in several months ago to help shorten a queue of 173 ships waiting to be unloaded.

The hold-ups at Chinese ports has hindered the country's export drive, while inadequate storage facilities and primitive road and rail networks have disrupted the flow of imports to Chinese customers.

Zhao, called for tighter controls over "unplanned shipments," that is, goods which have not received the necessary approval from Chinese trade authorities.

## TECHNOLOGY

# Battle for spoils of Fleet Street's revolution

**Raymond Snoddy** looks at rivals for the £20m market in modernising newspapers

GOING OUT: The linotype machine used in the hot metal process

IN TWO WEEKS, you will be able to pick up and read a copy of Today, Mr Eddy Shah's new newspaper—a product so powerful it brought down the walls holding back new technology in Fleet Street before a single copy was printed. It will be a newspaper produced, according to Mr Shah's News (UK) company, on the most modern system in the world, although there is, perhaps, a little journalistic licence in the claim. But what is difficult to exaggerate is the sharp contrast between the fully-computerised system and the traditional production methods of Britain's national newspapers.

At Today's rather cramped *Vauxhall Bridge Road premises* in London, the computer terminal has taken over entirely. *Typewriters* are a *thing of* the past and whole stages of the traditional newspaper production process, such as separate composition of the words by printers and the physical processing of pictures, have simply disappeared.

Not only is every story keyed in directly by journalists and edited on computer terminals, but colour pictures and graphics are entered into the same system electronically by scanners. Today also plans to use one of the most difficult new newspaper technology tricks of all — full pagination. This means bringing together on screen all the elements that make up a page including stories, headlines, pictures, graphics and advertising — something that computer software engineers have been trying to perfect for years.

Once the pages are complete they can be transmitted to remote printing plants either in the form of photographic plates or as images burned straight on to the printing plates by lasers.

Mr Eddy Shah believes that the use of such sophisticated computer techniques, which need a much smaller workforce, will mean production costs 30 per cent lower than those of other national newspapers, with advertising costs down 70 per cent.

"Page make-up and graphics are now a reality in the UK. Eddy Shah has made it so," says Mr Mike Lee, international director of Hastech, the US company which supplied the electronic system for Today.

Further down the Thames at Wapping, Mr Rupert Murdoch has spent $10m on an electronic system from Atex, the Kodak subsidiary, for his four national titles The Times, Sunday Times, Sun and News of the World.

News International has more than 500 terminals at its new east *London headquarters—one* of the largest systems ever installed at one time anywhere in the world. At the moment the system falls short of full page make up on screen; instead cold type is pasted up into page layouts.

The dramatic changes at Today and News International are potent examples of the *contributions computers* are making to newspaper production, particularly the "front end"—the part of the process that gets the words and advertisements ready for the printing press.

Mr Jonathan Seybold, publisher of the authoritative Seybold Report on Publishing Systems, believes that because of *technological change,* newspapers have been undergoing profound structural changes and that very few industries have been so affected by automation.

"The entire structure of the organisation built around an older technology is changing. Control has moved out of the composing room to the journa*lists," Mr Seybold says.* He believes the rather sudden introduction of fully computerised technology in Fleet Street offers some obvious commercial benefits. "British papers are in a far better position to plan rationally for integrating their systems rather than having to worry about decisions taken five or 10 years ago in the US," Mr *Seybold adds.*

The change in British newspapers at a time when the US market for electronic newsroom systems is much closer to saturation has turned the UK into a significant commercial battleground for the specialist companies who serve the market.

Mr Alec Hollingworth, managing director of Atex in the UK, believes that the UK market this year will be worth about £30m and the installed base is probably worth between £150m and £200m.

Atex claims to have 50 per cent of the UK market and, apart from News International, has sold systems to several *Fleet Street groups.* "We are the only supplier that covers the whole of the market right through," Mr Hollingworth says. At the top end of the market Atex competes with Systems Integrators and in the middle with SII Hastech, Press Computer Systems of the UK and ND Comtec, a subsidiary of Norsk Data, the Norwegian computer Company. ND Comtec already has won eight orders in its first 18 months in the UK.

Systems Integrators (SII), of Sacramento, California, claims a lead in producing the most fully-integrated front end system, complete with page makeup which allows the editor to see the real page and read each line of electronic text on the screen. The company, which has its systems installed in both the Los Angeles Times and The Washington Post, is also noted for an almost defiant unwillingness to discount its prices.

*In its annual report,* published in December, Mr James Lennane, Systems Integrators' chief executive, claimed the company's technological lead had helped SII to win at least 75 cents of every dollar spent on new large, newspaper systems during 1985.

In Britain, Reuter has an SII system, the Press Association has ordered one and the Financial Times is planning a $5m SII purchase.

Atex, which Kodak bought as a strategic move four years ago for $80m, is planning to strike back through an agreement with AT & T for a new computer system. It will be used to produce a sophisticated new management and pagination system due late next year. "We have decided to go the whole hog," Mr Hollingworth explains.

But specialists in the area, including the Seybold Report, generally agree that no-one has yet produced a completely cost effective totally integrated electronic system. "We have a slogan that says pagination means integration," Mr Seybold says, and adds there is a long way to go yet.

Yet in the US the focus is not singlemindedly on the pursuit of technology and total integration for their own sakes. Paste-up, many believe, can still be very cost-effective, and a move to pagination has to be justified commercially on a *case-by-case basis. There* are considerable worries in the US about how to cope with the accumulation of existing systems built up over the past 10 years in newspaper offices.

Increasing emphasis is also being placed on solving costly specialist tasks such as the effective electronic handling of display advertising, an area *where real savings can be made.* Here an entrepreneurial British company, Xenotron, founded in 1976, claims a cost effective system for handling display advertising. The system can, for example, electronically bend text round an object in a supermarket advertisement in minutes—something that could take hours by conventional means. The company has been introducing terminals which will enable newspapers to move towards full pagination when they want to.

According to Mr Seybold, technology is posing a further dilemma for newspaper proprietors. If they decide to move towards full integration, they may be placing the entire future of their business in the hands of one supplier who may not be equally good at all aspects of the process. "There is no answer to that so far," Mr Seybold commented.

COMING IN: Brian MacArthur, editor of Today, in the paper's electronic newsroom



Even in Britain, of course, the technology now making its way into Fleet Street is not new. Until recent weeks the provincial press had made greater progress than national newspapers, although it has been a long process since a Newspaper Society technical tour to the US in 1966 first noticed the possibility of dramatic change to come.

Perhaps the greatest breakthrough came last year when the Portsmouth and Sunderland group reached agreement with the National Graphical Association, the composing union, that journalists could directly input their copy.

Yet Sir Richard Storey, chairman of the group, warns that in *the provinces the effect of introducing* new technology is very different from Fleet Street *and is not a magic solution for* past ills. Not only was its introduction planned over a *long period* but overmanning was no more than 2-3 per cent.

Sir Richard is also far from convinced of the cost effective*ness of moving to full page* electronic make-up. Mr John Birkenshaw, research manager of the printing and information technology division of the Printing Industries Research Association, believes the problems facing many British newspapers involve the inefficient second keying of text rather than technology.

First time round, the move to basic photocomposition was financed by selling all the hot metal system for scrap. The next stage will have to be paid for by labour savings.

# A glossary of change

- **Hot metal:** traditional method of printing still used in some Fleet Street newspapers, including the Financial Times, in which each line of type is created in metal, assembled by hand in a page from which metal printing plates are cast.
- **Photocomposition or cold type:** production of type by computer. The text is reproduced on photo-sensitive paper.
- **Paste-up:** strips of text produced as cold type are pasted up on the page layout together with advertisements, headlines and pictures. The page is then photographed.
- **Single key stroke/direct input:** the procedure in which journalists type their articles directly into the computer.
- **Front end systems:** term for the type of electronic systems used by journalists to generate cold type.
- **Electronic make-up:** the assembly of all the elements in a newspaper page—words, pictures, advertisements — —electronically on screen.

# A British contender takes on the big boys

THE BIG players in the world of electronic newsrooms are American but at least one of the serious contenders is British—Press Computer Systems (PCS) of Wolverhampton. The company grew out of a small nucleus of computer software specialists working within the Claverley Company, the publishing and retail group set up in 1973.

The group began with work for group newspapers such as the Wolverhampton Express and Star. This has now expanded to such an extent that the company now has 36 systems installed, including three in the US. Last year PCS had a turnover of £3.8m, 315 per cent up on the £1.7m in 1984, with strong growth in profits and a growing order book.

In the UK the company has its systems in such papers as the Reading Evening Post, the Kent Messenger and the Bradford Telegraph and Argus.

Mr Tony Crook, managing director of PCS, a former deputy editor of the Oxford Mail, says the company can offer an all-embracing system which includes editorial, classified and display advertising, production, accounts and circulation.

Mr Crook claims there is little to choose in editorial systems between PCS and Atex, the major American supplier, although he says his prices are only 60 per cent of those charged by Atex.

PCS is proud of its new library database, which is linked into the editorial system. Journalists can search the database and call up information on a split screen terminal. Each day's newspapers are automatically loaded into the database. A library system is already installed at the Express and Star which has been gradually introducing electronic systems since 1980.

Last year the newspaper moved to direct inputting of classified advertisements and later, single keying in of copy by journalists.

Mr Les Childs, production editor of the Express and Star, says the paper hopes to move to a fully-integrated system bringing together text and graphics and an electronic picture desk by the end of this year.

## UK NEWS

# Boost for UK's finances raises tax cut hopes

BY GEORGE GRAHAM

THE GOVERNMENT yesterday said it recorded a strong improvement in its finances in January because of high tax revenues. The announcement helped to boost London financial markets and aroused speculation in the City of London that the Government might still have scope for tax cuts in next month's budget.

Public sector borrowing in the first 10 months of the financial year totalled £3.2bn, compared with a target public sector borrowing requirement of £8bn announced by the Chancellor of the Exchequer, Mr Nigel Lawson, in November, the Treasury said.

Treasury officials said the Government did not plan to revise the £8bn target before next month's budget. Some tax receipts had come in earlier than in previous years, and borrowing in March – traditionally a month when the Government borrows heavily – was likely to be increased by the effect on oil revenues of lower oil prices.

However, a small undershoot of the £8bn forecast is now viewed as possible in Whitehall, while some City of London analysts said the figures indicated possible public sector borrowing for the whole year of less than £7bn.

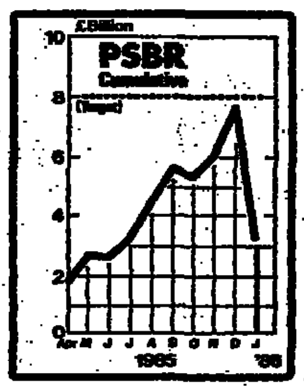
The public sector made £4.5bn of net repayment of borrowing last month, which gives a cumulative public sector borrowing requirement (PSBR) of £3.2bn for the first 10 months. This compares with a net PSBR of £7.8bn in the same period of 1984-1985 the Treasury said.

Tax receipts last month were higher than in January 1985: Inland Revenue receipts in the first 10 months were £5.8bn more than a year earlier, and Customs and Excise receipts £2bn higher.

Corporation tax receipts have been boosted by strong company profits, and are running some £2.75bn higher than at the same point last year.

Officials said increased penalties for late payments may have brought in some receipts earlier.

Oil revenues, which are mostly received in March and September, are expected to be lower next month than last March, causing some increase in government borrowing.




However, the full effect of lower oil prices is not likely to be felt until the 1986-1987 financial year.

Central government repaid a net £4.1bn of debt in January, while supply expenditure by central government departments reached £8.7bn. Supply expenditure in the first 10 months was £80.8bn, 6.7 per cent higher than in the same period last year.

City of London brokers, who had forecast net repayments of public sector borrowing no higher than £2.9bn, were cautious about revising their estimates of the PSBR for the full year, since the effect of early tax payments could be unwound in the next two months.

Nevertheless, the figures have increased confidence that Mr Lawson is unlikely to overshoot his borrowing target.

"You have to be very pessimistic about the next two months to say that the PSBR for the year will be more than £8bn," said Mr Gavyn Davies of stockbrokers Simon & Coates.

The better-than-expected PSBR figures helped the UK equity and bond markets to register new gains. The FT Ordinary share index rose by 13.6 points to 1,234.3, its highest ever closing value, while government bonds made gains of up to 1⅛.

Money market interest rates dropped as sterling strengthened on the foreign exchanges. The pound gained more than two pfennigs against the D-Mark to end the day at DM 3.3450 and $1.4280.

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# Alan Lord named as new chief at Lloyds

By Barry Riley

THE NEW chief executive of Lloyd's, the London insurance market, is to be Mr Alan Lord. He will also hold the position of deputy chairman, as did his predecessor Mr Ian Hay Davison, who announced his intention to resign last November and *will now relinquish* his responsibilities on March 1, the date Mr Lord takes over.

Mr Davison resigned against the background of moves by some members of the Lloyd's Council to reduce the powers of the chief executive, but Mr Lord said yesterday that he had not discussed this question with the Council. "My terms of reference will be the same as Mr Davison's and I'm perfectly happy to work within them," he said.

Mr Lord, 56, has had a varied career. After many years in the Civil Service, including spells at the Treasury, Inland Revenue and finally the Department of Trade and Industry, he moved to the private sector in 1977 to join Dunlop. He was group managing director for four troubled years up to 1984, but departed along with several other directors after a stormy reconstruction which left Sir Michael Edwardes in charge.

Since then Mr Lord has retained a number of non-executive positions including directorships of the Bank of England, Allied-Lyons and Johnson Matthey Bankers.

He will now resign all these posts, and will break his link with the Bank to emphasise his independence. "There really cannot at this time be any conflict of loyalty," he said. But he was confident that the relationship with the Bank of England would develop well.

Mr Lord said his highest priority at Lloyd's, which he described as a major national asset, was to improve the administration. He had "very strong views" that Lloyd's should be left out of the Financial Services Bill, and the 1982 Lloyd's Act should be given a chance to work.

Mr Peter Miller, chairman of Lloyd's, pointed out that Mr Lord was signing a five-year contract compared with Mr Davison's three-year term. "I am sure that he will be an integral part of the team that presides over Lloyd's for very many years to come," he said.

# Depression lifts as Tory Party regains its nerve

Mrs Margaret Thatcher (left) has given her supporters renewed hope after the crisis caused by the Westland affair. **Peter Riddell** says there is no longer so much gossip about her successor as leader.

THE PENDULUM has swung back. The Tories' depression of three weeks ago has been replaced by optimism and even self-confidence, to judge by the performance of Mrs Margaret Thatcher, Prime Minister, in a BBC television interview on Monday evening.

It was almost as if nothing had happened. The Westland affair was not a real crisis. The two ministerial resignations were tragic and unnecessary. According to Mrs Thatcher, the affair will not have very much effect in the long term.

There may have been little new in her message. What was significant was the unchanged tone – and approach – the commitment to carry on, fighting off any challenge, and to tackle problems ducked by previous governments.

And there was also the new election slogan, "Popular capitalism," which must be seen against Mr Michael Heseltine's "caring capitalism."

Behind the familiar rhetoric the Tory leadership has some grounds for optimism. The feverish backbench mood has gone, at least for the time being. There is no longer *so much gossip about the succession*, especially as Mrs Thatcher has indicated that she will not step aside willingly. She has also shown considerable resilience. In short, the Conservative Party has regained its nerve.

Moreover, the opinion polls are not as bad as they might have been. The Tories may have been shown in third place at 29½ per cent, by Gallup, but it could have been a lot worse, since the interviews were conducted at the height of the ministerial squabbles. MORI has even put the party in second place at 33 per cent.

Many Tory MPs report *that* they have received hardly any letters from constituents about the Westland affair and find that it is hardly mentioned on the doorstep. A common conclusion is that the public, which anyway takes a sceptical view of politicians, was neither particularly interested nor surprised by all the allegations about devious and dishonourable conduct.

Tory MPs also look with pleasure at the continued arguments within Labour, notably about Liverpool and left-wing extremists, despite the effective showing of some leading parliamentary figures such as *Mr John Smith over Westland and* BL.

Looking ahead, the optimists argue that the Government has weathered the sharp fall in the oil price without a financial crisis, so far. This has, incidentally, considerably strengthened the position of Mr Nigel Lawson, the Chancellor of the Exchequer, with his colleagues *ahead of the budget*.

Tory MPs also believe that the public *has* been prepared for the worst on Budget Day and may, therefore, be relieved if it turns out to be not quite as bad as foreshadowed.

Moreover, living standards are rising and the lower oil price should help ensure a continuation of the recovery and lower inflation during 1987 and up to the next general election by when, Westland will have been long forgotten.

The counter view is that now is merely a lull. The immediate crisis, which the events of January undoubtedly were, may have passed, but there are plenty of problems ahead.

On this view, the Westland affair may no longer be catching the headlines, but it is far from over. The defence select committee is now quietly digesting the evidence but there could be more embarrassing public sessions for the Government and the final report in April *could also* be *damaging* to the Prime Minister. Some of Mrs Thatcher's critics point to the sharp fall in her approval rating in the polls.

Apart from Westland, the Tory pessimists also point to the recent rise in unemployment and to the impact of the arrival, in a few weeks' time, of demands for big rate increases in many of the shire counties. A row is also certain when the Shops Bill on Sunday trading comes from the Lords to the House of Commons next month, with many Tory MPs strongly opposed.

The Government could be vulnerable *on education in the view of a* number of Tories. The teachers' dispute is not over and the formula by Acas, the conciliation service, may merely ensure the recurrence of disruption in the next academic year rather than the end of it.

The cutbacks in higher education and the squeeze on student incomes are also leading to a wave of protesting letters to MPs.

The first major electoral tests *will come at the Fulham (London)* by-election (on a date *still* to be announced) and at the local elections on May 8, where the Tories may be vulnerable in the outer London boroughs, some metropolitan districts and many towns and in the shire counties.

Bad results here could send a fresh wave of jitters through many Tory MPs facing either an Alliance challenge in the south of England or a Labour challenge in the Midlands and north of England.

Then there will be the usual testing period of June and July when House of Commons nights are long and tempers are short.

Mrs Thatcher may be over the worst but, despite the current optimism of the leadership, there is no assurance of a smooth period over the next few months.

**John Hunt adds:** The need for the Government to co-operate with industry to prevent the domination of British manufacturing by foreign competitors – particularly the US – was emphasised by Mr Peter Walker, the Energy Secretary, last night.

"We must prevent Britain ever being turned into a low wage sub-contracting and service economy," he told the Engineering Employers' Federation (EEF). "We must see that our international competitors do not obtain a market dominance and a technical lead that accelerates their progress and our decline."

He emphasised the need for European industries to co-operate in order to compete with the Ameri*cans and Japanese. In a central pas*sage in his speech he maintained that it was essential for Britain to retain a strong manufacturing base.

# Daily Mail group in 'urgent talks' on job reduction targets

BY RAYMOND SNODDY

ASSOCIATED NEWSPAPERS, publisher of the Daily Mail and the Mail on Sunday is holding talks with employees and unions this week on the future of the group.

It is believed that the staff will be told that the cost structure of the newspaper and the number of people employed there will have to be brought rapidly in line with competing newspapers after Mr Rupert Murdoch's move to Wapping in east London and the launch next month of Mr Eddy Shah's Today.

Union leaders and staff are likely to be warned that the future could be grim unless present negotiations are successful and costs reduced.

The talks are the culmination of a *long process of negotiation. Asso*ciated was preparing to move its printing plant out of Fleet Street to London's Docklands well before the present turmoil in Fleet Street.

The aim was to complete the move in 1989 or 1990. Now there is a new sense of urgency and the target date has been brought forward to "as early as possible in 1988."

Mr John Winnington-Ingram, managing director of Associated, is seriously concerned about the rapidly accelerating pace of change in Fleet Street and the relative competitiveness of the company's titles.

He says he does not want to be stampeded out of the painstaking process of negotiations with his unions by the events at Wapping while he believes agreement can be reached.

"We are within weeks of an agreement," Mr Winnington-Ingram says. On a chart where details of the negotiations are neatly tabulated the word "agreed" appears on almost every line in the "job reductions" column.

Mr Winnington-Ingram is reluctant to put a definite figure on the number of job losses he is seeking by voluntary redundancies and early retirement.

He says: "We have to get agreement to staff the plant in the manner which we think is appropriate. In the light of what is happening at Wapping we may have to revise our view of what is appropriate." For the moment the company is sticking to the plan agreed before Mr Murdoch dismissed more than 5,000 of his printers.

In the machine room and publishing areas that could mean an immediate 20 per cent cut rising to 50 per cent and eventually an overall reduction of about 1,000 in the present staff of 3,500 (in London, including magazines).

The first people will go in March and April and at least 400 jobs could be lost in the course of this year.

Mr Derek Terrington, newspaper and publishing analyst at stockbrokers Grieveson Grant, believes the Associated management has been better organised than most in Fleet Street.

"They have had a degree of success over the years in nibbling away at the overmanning problem," he says.

In the year to October newspapers and magazines contributed *£20.8m in pre-tax profits to the* group. But Mr Terrington believes the company has also been too relaxed in its approach to new technology and to the Docklands move.

Apart from reduced manning levels, Associated is insisting on a number of conditions before the final go-ahead is given for the investment of between £70m and £80m in the new plant plus redundancy payments of between £30m and £40m.

Pledges are being sought from unions that proper procedures will be observed and that there will be a mechanism for imposing discipline if they are not. "But we are not looking for legally binding agreements at this moment," Mr Winnington-Ingram says.

Other possibilities are fixed rates of pay instead of piecework to cut the cost base with compensation for the change; and an urgent review to see whether journalists and commercial staff should also go to the *Dockland premises, where the* London Standard as well as the Daily Mail and the Mail on Sunday will be printed.

Associated's four old and scattered buildings in Fleet Street, probably worth something in the region of £15m, could also be sold and used to pay for modern central London offices. Direct copy input by journalists is being considered

Mr Winnington-Ingram says that once Fleet Street publishers were all in the same situation, tied to outdated technology and similar union agreements. Now each has to come to terms with very different circumstances and environments. He says: "We have now each got to make ourselves competitive given our own particular hands."

# Oil export policy complies with EEC law, says court

BY RAYMOND HUGHES IN LUXEMBOURG

BRITAIN'S North Sea oil exporting policy, which effectively bans sales to Israel, does not infringe Common Market law, the European Court of Justice in Luxembourg ruled yesterday.

The court rejected claims by a Swiss oil trader, whose attempt to ship North Sea crude to Israel fell foul of the policy, that the UK was breaking both the EEC's common export laws and a free trade agreement between the EEC and Israel.

The policy, introduced in 1979 by Mr Tony Benn, then Energy Secretary, and maintained by successive governments, was compatible with both the rules and the agreement, the court said.

The policy permits North Sea oil to be exported only to EEC states, *members of the International Energy* Agency and other countries with which, in 1979, there was "an existing pattern of trade." Israel does not fall into any of those categories.

The European Court had been asked by the High Court in London for a preliminary ruling on the applicability of European law to the policy in the context of a dispute in England between the Swiss trader Bulk Oil (Zug), and the companies from which it bought a cargo of North Sea oil in 1981.

Shipment of the oil, sold to Bulk by Sun International of Bermuda and Sun Oil Trading of Delaware, was stopped at the Sullom Voe terminal in Shetland, which is operated by British Petroleum (BP), when it was learned that it was destined for Israel.

BP and Sun said that shipment to Israel would be contrary to UK policy.

At an arbitration Sun was awarded damages and interest, amounting to about $15m (£21.4m), for Bulk's breach of the destination clause in the sale contract, which stated: "Destination free but always in line with exporting country's government policy."

Bulk appealed to the High Court, arguing that Sun could not rely on the policy because it was contrary to EEC law.

When the preliminary issue came before the Luxembourg court last year, the UK, backed by Sun and *the European Commission*, argued that the 1975 EEC/Israel agreement banned only restrictions on imports. Bulk contended that both imports and exports were covered.

The court held yesterday that the agreement contained no express prohibition on quantitative restrictions on exports. Nor could it be inferred from the agreement that such a prohibition had been intended.

Bulk had argued that, under the EEC's common export rules, member-states were barred from adopting a policy stopping oil exports to certain non-member countries, including Israel, without specific EEC authorisation.

However, the court accepted the UK's contention, again supported by Sun and the Commission, that oil was one of the products expressly excluded from the bar.

The UK Government will note with interest that the court did not follow Sir Gordon Slynn, the Advocate General, who gave the judges his opinion on the case in December, and suggest that the North Sea policy might need to be reassessed.

Sir Gordon, a former English High Court judge, said the policy, introduced in response to the 1979 Iranian crisis when there had been an oil shortage, could not necessarily be justified "in perpetuity or even indefinitely" without being reassessed in the light of changed circumstances.

He accepted that a restriction on the export of crude oil could be justified on public security grounds and said it was arguable that the UK's policy had been justified in 1979 when there had been an oil shortage and uncertainty about future supplies.

The European judges, however, made no reference to those matters, confining their judgement strictly to the legal issue of the compatability of the policy with Community law.

The case will now return to the High Court. This will look again at Bulk's appeal in the light of yesterday's ruling, which is binding on the English courts.

# Britain adopts air check directives

By Lynton McLain

THE CIVIL Aviation Authority (CAA) acted yesterday to try to allay fears on the safety of Boeing 747 airliners after cracks were found in several aircraft this year.

It said it had adopted the latest airworthiness directive about Boeing 747 structures from the US Federal Aviation Administration (FAA), which requires inspection of internal structures of 747 aircraft. An FAA directive at the end of January called for external examination of part of the skin of the aircraft.

Nineteen 747 aircraft out of the world fleet of more than 600 jumbo jets had their internal structures tested up to yesterday and 13 of those tested had cracks in the fuselage frame. Six of the aircraft checked internally belonged to British Airways and all were found to have cracks.

Mr John Chaplin, group director of safety services at the CAA, said yesterday: "Aircraft of this class are designed to tolerate cracks, and the cracks of the 747s of themselves do not cause us concern. The main first task is to see that no risk to the main structure exists."

Cracks in the skin of the aircraft would be potentially more serious and could result in a leak of pressurised air from the fuselage, but no skin cracks had been found, the CAA said.

"We have now entered the second stage of checks and in our judgment these aircraft are safe to fly. There is no basic design defect in the 747," Mr Chaplin said.

Cracks have been found in the hoops that make up the basic airframe structure. These metal hoops are backed by a fail-safe crack stopper between the fuselage structure and the skin and no cracks have been found in that area, Mr Ronald Ashford, the CAA director general for airworthiness said.

Three areas in the nose of the Boeing 747 aircraft have been found to have cracks and those areas are named in the FAA airworthiness directive as requiring mandatory checks by airlines. The structure to be inspected is between the main floor and the windows forward of the front door; above the cabin luggage bins over the first seat row; and in the region of the escape hatch in the roof of the upper deck behind the flight deck.

# Sales reform worry for insurance body

BY ERIC SHORT

CONCERN that radical changes to life assurance selling methods would damage life companies, salesmen and the public, have been expressed by the Association of British Insurers (ABI), the main trade association of insurance companies operating in the UK.

The warning comes in the ABI's comments on the proposals by the Marketing of Investments Board organising committee (Miboc) to categorise life assurance salesmen *into company representatives* and independent intermediaries.

Company representatives would, under Miboc's purist approach, be able to market only the products of their host company.

Miboc was set up to handle the marketing aspects of the Government's financial services proposals. The ABI stresses that its comments aim to help Miboc produce a workable scheme to regulate life assurance and unit trusts marketing.

However, the ABI is concerned that changing methods which can be adequately controlled by conduct of business rules will reduce the consumer's choice and increase the price of the products.

The ABI feels there is room for certain categories of salesmen to operate in what is described as the middle ground between the two defined categories, such as firms of accountants and solicitors.

The ABI is more relaxed over Miboc's other main proposal on disclosure of commissions by salesmen, being concerned about administrative details rather than principles.

However, the Life Insurance Association (LIA), one main body representing life assurance salesmen, bitterly opposes both Miboc proposals.

# Isle of Man lifts bar on new bank licences

BY MICHAEL CASSELL

THE ISLE of Man's moratorium on the *issue* of new banking licences was lifted yesterday. This followed the enactment of the Banking Amendment Bill in the island's Parliament.

The moratorium came into effect in March 1983 after the collapse of the Savings and Investment Bank, which led to strong criticism of the island's system of banking supervision. It was maintained while the newly formed Financial Supervision Commission set up its system of controls, which can now take effect with the enactment of the bill.

Mr Jim Noakes, the Isle of Man's banking supervisor, said that the action should not be seen as indicating any slackening in the standards of licensing on the island, or of the commission's vigilance. He added: "It is an indication of the confidence which the Isle of Man Government has in the effectiveness of the regulatory framework."

## UK NEWS

# Star Wars is 'all chips versus nukes' says US expert

*DR GEROLD YONAS*, chief scientist and deputy director of the Strategic Defence Initiative Organisation (SDI), the Washington agency which manages the $26bn Star Wars research programme studying defence against nuclear weapons, says: "It's all about chips versus nukes, silicon versus *plutonium*," David Fishlock, Science Editor, writes.

Dr Yonas has just ended a week with a team of SDI scientists visiting some of Britain's leading research centres, as a prelude to placing the first overseas SDI contracts.

Lt Gen James Abrahamson, director of the SDI, followed his deputy to London for yesterday's meeting with Mr George Younger, Defence Secretary.

Dr Yonas, meanwhile, was reporting to Washington that he has no doubt Britain has much good science to offer the SDI, particularly in the sphere of surveillance, "the linchpin of SDI" as he sees it.

But with public comment focusing on the political debate and the novel speed-of-light weapons "the surveillance story just doesn't come across."

Surveillance is where Britain is particularly strong, he stresses. Spotting enemy targets unambiguously across thousands of kilometres of space in time to raise a defensive umbrella calls for surveillance of a resolution and precision never needed before.

The Star Wars programme was first made aware of this strength last autumn when a team of top British defence scientists visited the SDI and its main laboratories.

The SDI learned of the big gaps in the umbrella at present, and began to match British ideas and research resources with its own plans.

The Britons also learned of the widely differing views that prevailed between US laboratories, and how readily some would knock rival ideas.

Dr Yonas says most of the ideas Britain put forward on that visit are likely to be supported from SDI research funds. For example, he sees the Ministry of Defence's Royal Signals and Radar Establishment at Malvern, Worcestershire, as a repository of expertise in infra-red surveillance unrivalled in the US.

Infra-red sensing is the key to the surveillance problem. Infra-red is the spectrum of invisible "heat" waves given off by anything above absolute zero in temperature.

Missiles emit quite different infra-red frequencies at different stages in their flight trajectory, from the hot boost phase through the cool mid-course stage to the hot atmospheric re-entry phase.

Infra-red is the eyes and brain of the whole system, right across this trajectory, Dr Yonas says. Moreover, Malvern has developed a semi-conductor technology based on its own discovery of a compound called cadmium mercury telluride (CMT), and married this in a unique manner with silicon chips to process the infra-red signals sensed by CMT.

He talks of these sensors as "little jewels" – the combination has the value of a two or three-carat diamond, he says. "And sensors are the big money in the SDI programme, billions of dollars."

The team also visited the industrial laboratories poised to exploit Malvern's CMT technology, namely GEC's Hirst Research Centre in Wembley and those of Mullard, the Philips subsidiary.

But, in addition, Britain has ideas worth backing concerning new weapons, including speed-of-light weapons that can discriminate between genuine targets and decoys designed to confuse the defences.

At the Rutherford Appleton Laboratory of the Science and Engineering Research Council near Oxford, the SDI scientists inspected Sprite, a krypton fluoride laser pumped by an electron beam, built as part of a central facility for British universities to do experiments *involving giant pulses of laser light*.

This facility, which has already permitted US scientists to use its lasers under contract to perform experiments, is discussing a "fairly major" SDI project, says Dr Mike Key, its director. The SDI sees this kind of laser as a promising way of destroying decoys from the ground, leaving other weapons a clear view of the genuine targets.

At the Culham Laboratory of the UK Atomic Energy Authority, also near Oxford, a substantial research contract has already been negotiated with the SDI to develop a beam source for a potential space weapon called the neutral particle beam.

British companies and research laboratories can look forward to Star Wars contracts worth "hundreds of millions of dollars" over the next few years, according to Lt Gen James Abrahamson, director of the $26bn project, *writes Peter Marsh*.

Gen Abrahamson said in London yesterday that he could not predict the cash that would flow to British contractors. "It's a highly competitive programme. The contracts awarded will depend on the number of good ideas, how they are presented and how they fit into the programme."

British companies which obtain contracts will often find themselves pitted against rival organisations in a series of competitions – which Gen Abrahamson calls "horse races" – to come up with good ideas as quickly as possible.

Under this philosophy, several research groups are initially given small contracts, say for $1m, to specify a component of an anti-ballistic missile system. The component could be, for instance, a series of "smart" projectiles to shoot down warheads, or a segment of the computer system to control devices such as laser guns.

Each group is given not a set time to finish the contract but told to complete the work as quickly as possible, perhaps in as little as three months. The first organisation to come up with satisfactory proposals automatically proceeds to the next stage, which might entail detailed design work and a bigger contract, say for $5m.

The pace of competition can leave participants "breathless," according to Dr Mike Yarymovych, head of Star Wars programmes at Rockwell International, a big US defence and space company.

Marconi Projects, part of the General Electric Company, is one British group entering such a horse race. It has teamed up with Ford Aerospace, a leading Pentagon contractor, to work jointly on two contracts worth a total of $10m, to design a computer system for missile defence.

Under these contracts, Ford is competing with several other companies, including McDonnell Douglas and IBM. The winner will stand to gain further contracts worth up to $140m – but only if their ideas stand up to the Pentagon's scrutiny over the next year or so.

# Argentine MPs turn down offer of talks

**By Robert Mauthner, Diplomatic Correspondent**

A DELEGATION of Argentine parliamentarians yesterday appeared to have missed a golden opportunity to put their country's case on the Falkland Islands directly to the British Government by declining an offer to have talks with a Foreign Office minister.

The four-man delegation, led by Mr Adolfo Gass, chairman of the Argentine Senate foreign affairs committee, seemed determined not to take up the proposal to meet Mr Timothy Eggar, a junior minister at the Foreign Office, conveyed to them on Monday, mainly for domestic political reasons.

The British offer which, if it had been accepted, would have resulted in the first meeting between a British minister and Argentine parliamentarians since the 1982 Falklands conflict, was seen in London as an important conciliatory gesture.

Although the Foreign Office made it clear that the Government continued to insist that sovereignty over the Falklands was not negotiable, that would not have prevented the Argentine congressmen from raising this or any other subject.

Fear of political repercussions at home if they had agreed to meet Mr Eggar appear to have been the main reason for the Argentines' decision to turn down the offer.

Mr Cyril Townsend, an MP and chairman of the South Atlantic Council, which invited the Argentine parliamentarians to Britain, said they had shown "considerable political courage" in coming at all.

The four parliamentarians had been subjected to sharp criticism from all parts of the political spectrum for accepting the invitation. "They feel that, in terms of domestic political policy, they would be going too far to have talks with a government minister," Mr Townsend said.

A slightly different gloss on the delegation's decision was given by one of its members, Senator Julio Amoedo, of the Peronist party, who said no invitation to meet a British minister had actually been received by the parliamentarians.

The delegation had gone to London to exchange views with British parliamentary colleagues. It did not represent the Argentine Government and there was no need, therefore, to speak to anyone from the Foreign Office.

However, Mr Townsend said the South Atlantic Council had advised the Argentines to see Mr Eggar and had assured them that there were no preconditions for the talks.

The Foreign Office said the offer to meet the minister remained open if the Argentines changed their minds. Such a meeting would be consistent with the Government's policy of seeking an improvement in Anglo-Argentine relations, particularly on practical issues such as trade, communications and fishing.

# Government revives TV satellite project

**BY RAYMOND SNODDY**

THE GOVERNMENT has decided to make another attempt to get a British direct broadcasting by satellite (DBS) project off the ground.

The Home Office, after talks with the Department of Trade and Industry, plans to ask the Independent Broadcasting Authority (IBA) to advertise three new channels of television.

The channels would be transmitted from high power satellites above the equator direct to small dish aerials on individual homes. A government announcement is expected later this week.

The IBA, which would be the regulatory body for the DBS project, could probably be ready to advertise the franchise in late spring. The IBA has not yet decided whether the three channels will be offered as a single franchise or whether there will be separate channel contracts.

It is unlikely that a British DBS venture could begin transmitting much before 1989. The West German DBS satellite is due to be launched in August and the French satellite is scheduled for later in the year.

At least three commercial groups are understood to be interested in operating a British DBS service if the terms of the government announcement offer reasonable freedom of choice over issues such as where the satellites can be bought.

Attempts to launch a £500m venture collapsed last June when a consortium grouping the BBC, the independent television companies and five non-broadcasting organisations led by Thorn EMI, decided that the cost and risks were too great.

Insistence on the use of a British satellite system, seen by all involved as too expensive, was one reason for last year's collapse.

# Chemical plant owners to sue builders

**By Maurice Samuelson**

THE WORLD'S first commercial plant for making oil out of old tyres is standing idle because of costly teething troubles, made more painful by the current dramatic drop in energy prices.

The owners, Tyrolysis of Walsall, West Midlands, say the plant has run out of money and are to take legal action against Foster Wheeler Power Products, which built it.

The company was formed in the wake of the second international oil crisis. It has 20 shareholders, led by Leigh Interests, the Midlands-based specialist waste treatment concern, and Foster Wheeler Power Products, which each have about 17.5 per cent of the shares.

It turns tyres into oil by a process of pyrolysis, in which substances are broken down into their components by being heated in the absence of air.

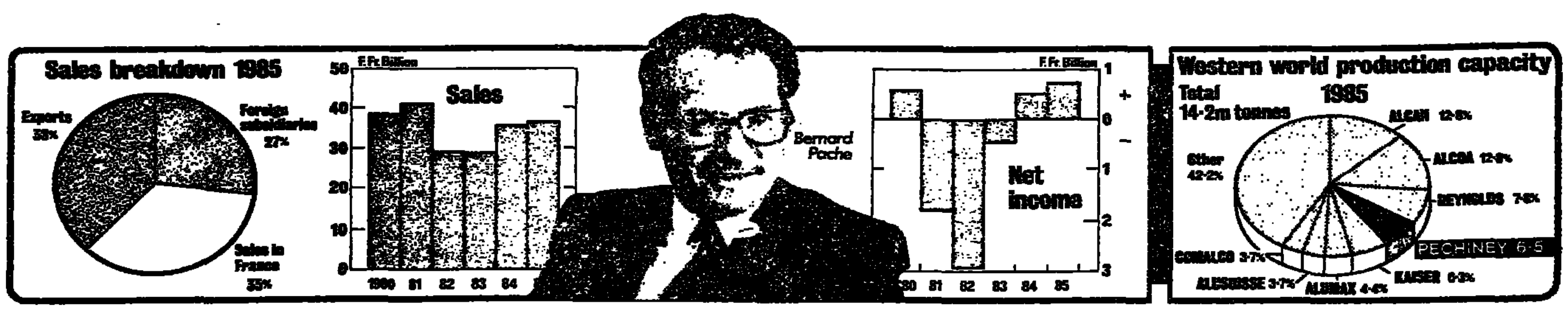
The company's accounts show that so far £8m has been spent on the plant. Grants and loans were raised from the Department of Trade and Industry and the European Community.

Dr Arthur Kent, a director nominated by Leigh Interests, claims that if Tyrolysis met its original specifications, it would still be profitable, despite the latest oil price collapse. Its troubles, he said, were due not to its complicated chemical process, pioneered by British government scientists, but to shortcomings of the equipment built to implement it.

Mr Tony Clayton, Foster Wheeler chief executive, refused to comment and said questions should be referred to Tyrolysis. Tyrolysis in turn said Dr Kent was its spokesman.

# THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ




# Pechiney spreads its wings in Japan

**Paul Betts reports on the importance of the Far East to the nationalised French aluminium group's strategy**

"WE HAVE become like the Japanese. We spend our time worrying about the yen: whether it will go to 175 against the dollar or stay put or ease a bit." Jacques Leflon, the head of the Far East department of the French nationalised Pechiney aluminium and metals group, was thinking aloud as the taxi drove along the picturesque coast road on the island of Shikoku, about a one and a half hour flight from Tokyo. "When the weather is clear like this you would think you were on the Cote d'Azur," he added.

The coast road led from the airport through the typical Japanese bustle of the city of Matsuyama through tangerine groves to Nagahama where on land reclaimed from the sea rose the familiar shapes of a large heavy engineering plant. The greeting was also typically Japanese.

But a few concessions were made to the French visitors. The tricolore was flying in front of the plant's administrative building and at lunch croissants and Saint Emilion were served as well as Sushi and Tempura. It was not altogether surprising. The plant, one of the world's largest producers of carbon blocks for the aluminium and steel industries, is owned by Pechiney and is one of the few wholly owned foreign industrial investments in Japan.

The carbon blocks plant is also one of a growing number of industrial ventures in Japan by the nationalised French group, which has targeted Japan and the Far East as one of its principal markets for future growth and development. Pechiney at the beginning of January signed a joint venture agreement with Kawasaki Steel to build a $50m magnet plant in Japan. It already has a joint venture with Komatsu and Pechiney's Howmet Turbine Components subsidiary to manufacture turbine components in Japan for the domestic and export markets.

The French company is now considering industrial investments *in other sectors in Japan* including the possible construction of an aluminium can manufacturing plant and, at the other end of the scale, the development of zirconium semi-fabricated products for the nuclear industry in Japan.

But the French group's involvement with Japan extends far beyond these ventures. The company has been multiplying *agreements with Japanese companies* for French based industrial projects including the construction of a carbon fibres manufacturing plant in South-West France with Elf Aquitaine and Toray and a joint venture with Mitsui Mining to produce copper products for the electronics industry in Normandy.

Pechiney's Japanese subsidiary has also become the most important French trading company in Japan with sales of FFr 1.7bn (£169m) last year. The trading company not only sells Pechiney group products, but offers assistance to other French companies not represented in Japan and sells a wide range of goods and equipment beyond the normal range of the group's metal businesses.

Pechiney's presence on the Japanese market fits into a *broader Far East strategy.* The French company has major assets in Australia where it owns a 35 per cent stake in the $1bn Tomago aluminium smelter with 240,000 tonnes a year capcity which started production in September 1983. It is also present in India and South Korea. Overall the Asia-Pacific area accounts for about FFr 4bn in annual sales. "Moreover, 75 per cent of our sales in the Pacific and Asian regions *stem* from local industrial investments," says Leflon.

The way in which Pechiney has been doing business in Japan reflects the French group's general approach to industrial strategy as well as more specific policies for the Japanese market. Pechiney came to Japan in the late 1960s thanks to its aluminium technological *know-how.* At the time, Japan was seeking to develop a major aluminium industry and Pechiney started selling its electrolysis technology to four of the country's five major aluminium producers including Mitsui, Mitsubishi, Sumitomo and Showa Denko.

"If you want to do business in Japan, you must be able to offer them original technology," explaines Bernard Pache, Pechiney's chairman. Indeed, Pechiney has been steadily building up market share in Japan through the sale or exchange of its technologies in aluminium and metal fabrication. The collaboration in the construction of Japanese aluminium smelters led to the carbon blocks investment at Shikoku. At the beginning is was a joint venture with Showa Denko *which at the time had ambitions* to become the dominant aluminium group in Japan.

By 1978, however, Showa Denko, like the rest of the Japanese aluminium industry, had become increasingly disillusioned with the 'aluminium business. The oil crisis and the surge in energy prices in Japan turned aluminium production into a financial liability.

Showa Denko also wanted to scrap the joint venture in carbon blocks with Pechiney. But the French group decided to keep the business. After three years of negotiations, Pechiney took full control of the plant although Showa Denko agreed to keep its name on the venture still called Showa-Savoie.

Pechiney's strategy has been *to focus the Japanese plant's production on export markets.* Despite the difficulties of the aluminium and steel industries, the plant produced 13,000 tonnes last year, well below its 23,000 tonnes a year capacity, but regarded by Pechiney as satisfactory. Moreover, Showa-Savoie won an important order in Brazil against Japanese competition to supply carbon blocks for a steel plant. "This is likely to help us penetrate the domestic Japanese market for furnace maintenance," says a Pechiney official in Japan. "You need a industrial visiting card like that to give you access to a market like Japan."

Though aluminium has taken it into Japan, Pechiney is banking on expanding essentially by developing new materials and new market niches. "I really get fed up when I regularly hear our group described as simply an aluminium producer," says Pache. "We are in a range of metals and new materials sectors."

Indeed, aluminium now accounts for about 58 per cent of Pechiney's total sales of FFr 35bn last year, with 12 per cent coming from ferro-alloys and carbon products, 21 per cent from fine metallurgy and advanced materials and 9 per cent from copper fabrication.

This move into new areas with higher value-added potential is reflected in the joint venture to produce permanent magnets in Japan which Pechiney announced at the beginning of this year with Kawasaki Steel. Pechiney sees a potentially attractive market *for magnets in Japan to supply* the electronics, factory automation and motor industries.

Japan is the world's biggest market for magnets with annual sales of Y95bn (£368m). The Japanese market for these products has been growing at an annual rate of about 10 per cent.

As Europe's leading producer of permanent magnets, Pechiney's *Aimants* Ugimag subsidiary had both the technology and reputation to interest the Japanese.

Another key aspect of Pechiney's strategy in the Japanese market is the company's step-by-step approach starting to test a particular market segment by traditional commercial operations. If the sector shows promise, Pechiney then considers the *next step of* investing in an industrial venture locally to help develop and consolidate sales, explains Francois Berger, the head of Pechiney Japan, the French group's Japanese subsidiary.

Thus Pechiney is now considering increasing aluminium can production; the group has been expanding into packaging in recent years and its sub*sidiary* Cebal has become Europe's leading producer of aluminium cans for food products.

Pache is also keen to develop Pechiney's nuclear activities in Japan. The French group is a leading producer of nuclear fuels for light water reactors with activities at each stage of the fabrication of zirconium and uranium including the manu*facture of* zirconium semi-fabricated products and cladding tubes, production of uranium hexafluoride, and the fabrication of the fuel elements themselves.

But if Pechiney has made a priority in its industrial strategy the development of new products for new market niches, especially in markets like Japan, it is by no means *losing sight of its traditional* aluminium bread and butter business.

In the Far East, the French group is eyeing the Chinese market with growing interest. It established a permanent office in Peking five years ago and its sales of equipment and aluminium to China totalled about FFr 100m last year. "No big deals, but 1m here and 15 there. It soon adds up," says Pache.

However, Pechiney is also hoping eventually to pull off a big aluminium smelter project in China. Pechiney officials in the Far East confirm that discussions were continuing with the Chinese for the construction of a smelter at Pingguo, a project expected to run into several billion dollars. As happens in Japan, it is a long patient step-by-step process. "The negotiations for the Chinese smelter started in 1978. They are not likely to end tomorrow," remarks Leflon, Pechiney's man responsible for the Far East.

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BERNARD PACHE, the plain speaking chairman of Pechiney, is quite candid about it. "No, it is not easy to take over from someone like Georges Besse," he acknowledges. But he also makes no secret of his deep admiration for the former chairman who put the loss-making Pechiney group back on its feet.

For Pechiney and Pache, the departure of Besse 12 months ago came as a surprise. After successfully restructuring Pechiney, injecting new morale in the company and returning it to profit, the Socialist govern*ment decided to call in Besse* to try to repeat the Pechiney performance at the troubled Renault state-owned car group. In his place, the government named Pache who had been among Besse's closest collaborators at Pechiney.

Unlike Besse, who arrived from the Cogema nuclear fuels company to Pechiney in 1982 just with his secretary and proceeded to turn the company around, Pache, who is 51, is an old hand at Pechiney. After graduating from Ecole Polytechnique and the Ecole des Mines of Paris, he held a variety of mining engineering assignments with the French government. In 1967 he joined Pechiney where he has held a series of different positions. Just before taking over from Besse, he was in charge of Pechiney's nuclear and electro-metallurgy division.

*But* like Besse, Pache is not in the mould of the formal rather stiff French business manager. He is direct, apolitical and energetic.

Besse says he had recommended the appointment of Pache as his successor at Pechiney. "Pache was the best possible compromise," says Besse. "He is solid both intellectually and physically. He had a long experience of Pechiney. He is a man who has been actively present in the group's factories, which unfortunately is not the case of a lot of French managers. He is also a man with considerable analytical powers. I'm a bit impulsive. Pache is not impulsive."

The new chairman of Renault adds that it was important that his successor at Pechiney was picked from *inside the aluminium* group's ranks. "When I arrived at Pechiney from outside, the company was traumatised. It was losing money. It had been nationalised. It did not know where it was going." Besse says that after the major recovery effort of the last three years it would have been an error to subject the group to another *shock* by bringing in another outsider. Moreover, Pache *is* the sort of nuts and bolts industrialist close to Besse's heart.

After Besse's departure, Pache has continued the work of consolidating Pechiney's recovery. At a time when Pechiney's major international aluminium rivals are reporting losses or sharply lower earnings, Pache has just reported higher Pechiney net earnings of FFr 750m for 1985 compared with a FFr 550m profit of the year before. Not only do these figures reflect the successful restructuring of the group but also Pechiney's wider range of metals and aluminium activities compared with groups like Alcan or Alcoa which essentially concentrated on aluminium.

The return into the black of Pechiney, which had a total deficit of FFr 4.6bn in 1982, has been hailed by the Socialists as one of their big industrial success stories. The recovery of the group follows a series of actions including the shedding of Pechiney's loss-making steel and chemical assets to other French state groups, the recentring of activities around aluminium and metal fabrication, and the development of new high technology products. Moreover, Pechiney has modernised its aluminium production, investing heavily in France, in Canada and Australia.

*Under Pache,* Pechiney is continuing to expand in what it regards as promising markets including some conventional consumer sectors like packaging and other less conventional areas like ceramics, carbon fibres, aluminium-lithium, among many other new products.

"At the beginning we called our business metal processing and fabrication. It has now become material processing or 'matériotique' to coin a new word because what we now do is mix metals with fibres or ceramics or other materials," he remarks.

With the expected victory of the right-wing opposition in the general elections in France next March, Pechiney *is high* on the list of nationalised companies targeted by the right for de*nationalisation. But the sub*ject, on the surface at least, does not seem to bother Pache.

*In any event, the Pechiney* chairman is among the nationalised industry bosses who is generally expected to be kept on by the opposition.

# THE ARTS

## Television/Christopher Dunkley

# The funny thing about the sitcom . . .

Developments in situation comedy provide a pretty accurate paradigm for the whole of television. First, and most striking, there are surely more sitcoms now than ever before, just as there is more television than ever before. Secondly, there seems to be a tendency for sitcoms to become more and more alike, a trend which many viewers may feel applies to entire channels. Thirdly, more sitcoms are being imported from the US, a shift which, once again, exemplifies a general movement in television. And fourthly — the point which concerns me most — though the quantity is going up there are ominously few signs of a proportional increase in work of high quality.

*On the contrary*: the expansion appears to consist almost entirely of material which is extruded, sausage-like, at ever higher speeds, in ever more uniform packages, to satisfy the perpetual demands of broadcasting executives determined to fill an increasing number of identically shaped slots.

Leafing through the current *Radio Times* and *TV Times* I have counted 21 sitcoms spread across the four channels. Fourteen are British and seven American which is a fairly accurate reflection of the ratio (67:33) between British and American content generally in peak viewing time according to my most recent analysis.

Thirteen of these sitcoms are old or established series, ranging from Channel 4's cheapie import *Car 54 Where Are You?* (now a quarter of a century old) to *Duty Free*, featuring the longest package holiday in the history of tourism. According to the current BARB figures *Duty Free* attracts 14.8 million viewers to ITV. Other sitcom ratings successes include *Hi-de-Hi!* which scores 13.65 million for BBC1, *Yes, Prime Minister* topping the BBC2 chart with 7 million, and *Cheers* which draws 3.3 million on Channel 4.

It is the new series, however, which are my chief concern. These include *It's Your Move*, an American import on BBC1 all about the tribulations of a one-parent family. Son Matt who is 13 going on 31 (as they say in LA) is forever trying to manipulate his mother's suitors. Judging from the first two episodes there is practically none of the traditional comedy business that you find in such splendid old American series as *I Love Lucy* or *Bilko*, the humour instead being almost entirely of the wisecrack variety. In this, unfortunately, the series is about half as effective as *Taxi* or *Cheers*.

*All At No 20* is a Thames series also about the tribulations of a one-parent family with Maureen Lipman playing Sheila, the mother. I would guess she is also inventing what little bits of comedy business there are—miming the polishing of a bald head, for instance, or wringing the neck of the telephone. This is another of those ill-assorted-household sitcoms: Sheila is making ends meet by taking in lodgers and so far we have Carol, the man-mad jogger, Chris, the boastful disc jockey, and Hamish who is a multi-purpose stereotype: a Scottish homosexual airline steward.

*Dear John* (BBC1 again) is all about a male divorcee who, in Episode 1, tried to join a singles club but found himself at first in Alcoholics Anonymous. *Kate and Allie* (C4) is all about two female divorcees who, in Episode 1, went out with the same man on consecutive dates. Kate told Allie: "Dating isn't about dating, dating is about finding someone so you never have to date again."

Kate and Allie's New York apartment is littered with children who seem to be 13 going on 31. How is it that Americans are so knowing and worldly-wise at 13 yet so hopelessly unprepared for life when they *do* reach 31? Judging from the American documentary *Couples Arguing* on Channel 4 on Sunday the reason is that they are all more or less barmy thanks to an upbringing which has taught them that the only thing worth thinking about in the entire world is themselves.

*Hot Metal* from London Weekend is yet another in the sudden avalanche of television series about the newspaper business, but whereas *Lytton's Diary* (the best of the bunch) was about a gossip columnist, and *Hold the Back Page* was about a sports columnist, *Hot Metal* concerns itself with all the activities of one of those red-splodge tabloids. The trouble is that such papers are beyond parody. I cannot remember now whether the headline "Prince Andrew's New Girlfriend Wears Black Suspenders—Official" is one that I have really read recently or one that was invented for the programme.

In *Constant Hot Water*, from Central TV, the setting is an adjoining pair of seaside boarding houses, one run by the hideously refaned dragon Phyllis Nugent (Pat Phoenix) and the other by dishy young widow Miranda Thorpe (Prunella Gee). Yorkshire Television's offering, *Farrington of the FO*, is set in a British consulate in darkest South America, where the new boss turns out to be a woman. And BBC2's *Comrade Dad* is about a party-line fanatic in some Soviet Britain of the future.

By the standards of the last 15 years or so, during which we have seen scores — perhaps hundreds of sitcoms— come and go, none of this season's batch is really poor. We have certainly seen much worse. One or two of the new ones even have a spark of originality. *Comrade Dad*, for instance (which stars the endlessly watchable George Cole) exploits a nicely Orwellian view of the shabbiness of communism, which is something I have never seen in a previous sitcom; and although there is such a surge in Fleet Street series all the others are dramas. I cannot recall a previous sitcom set in Fleet Street.

But with so many comedies running simultaneously are we not justified in expecting a little more ambition? Out of all those 21 series only one seems to have any definite intention beyond that of triggering the next laugh. (Incidentally a laugh which, in almost every instance, will be "enhanced" and manipulated to such an extent by the producer that "canned laughter" remains a wholly justified description even though people as intelligent as Ludovic Kennedy have now swallowed the story about studio audiences "really laughing"). That single series is *M.A.S.H.* which is of course American, 14 years old, and in *the process of being repeated*. Its ambition beyond laughter is to tell a little of the truth about war.

Some might say that *Yes, Prime Minister* conveys considerable truth about the political process. Indeed, it could be argued that it is, in terms of audience reach, more powerful than *The Crossman Diaries*, on which it clearly draws so extensively. Certainly the series does a wonderful job of demystification. Yet I suspect this is largely incidental and that the original intention was solely laughter. *Comrade Dad might likewise be considered* to convey a message; no doubt extreme left-wingers are quite sure it does and are consequently annoyed. Yet if that had been a declared intention I doubt if the series would have got on the air.

It would be tedious, of course, if comedies were accepted only when their creators had some weighty message for us. There must be space in the schedules for trivial entertainment, which is all that many viewers want after a hard day. On the other hand, we are surely entitled to expect that with television expending, and a new season bringing eight new sitcoms, a couple at least might aspire to something above and beyond the function of fitting precisely into a half-hour slot.

It may be very boring for today's sitcom people to be beaten with the same old sticks, but there is no escaping the fact that *Steptoe and Son* and *Dad's Army* showed what comedy can achieve in the way of acute social observation; that *Till Death Us Do Part* did get the entire country talking; and that *Porridge* provided a superb vehicle from which Ronnie Barker could give a virtuoso performance.

If it could be done before it can be done again, and on £5m a day British television should be doing better.

## Camden Festival highlights

Among the highlights of the 1986 Camden Festival will be British stage premières of two Kurt Weill operas — *The Protagonist* and *The Czar Has His Photograph Taken*, at the Bloomsbury Theatre from March 12 to 15. Another première, at least for London, will be dance company Second Stride's piece *Bösendorfer Waltzes*, designed by Antony McDonald to Orlando Gough's music (March 4-8 at The Place).

This year's festival, number 33 in the series, runs for three weeks (March 1 to 23) in 20 venues throughout the borough.

The Shaw Theatre in Euston Road continues as the festival's base, housing two of the main strands, the International Music and Dance Season (March 3-15) and the jazz week (March 17-22).

Among the musicians appearing in the latter event will be American trombonist/arranger/composer Melba Liston who joins forces with some of this country's leading women musicians to form a big band to be named Gale Force 17.

The concerts on March 21 and 22 will see Art Blakey's Jazz Messengers joined by some of the best of Britain's black dancers. There will also be an international quartet formed especially for the festival comprising Dave Holland, Elvin Jones, Albert Mangelsdorff and John Surman.

For 1987 Camden's new festival organiser, Dick Witts, hopes to present the concluding sections of Robert Ashley's opera trilogy, plus a new staging of *Four Saints in Three Acts*, the opera by Virgil Thomson, to text by Gertrude Stein.

### Shakespeare Prize for Professor Jenkins

The 1986 Shakespeare Prize has been awarded to Professor Harold Jenkins of London University, acknowledged as the UK's leading authority on Shakespeare and co-editor of the Arden Shakespeare. The award is worth DM 25,000.

The prize was instituted by the FVS Foundation of Germany before the Second World War and is awarded to British artists and scholars who have contributed to the European cultural heritage. Last year's prizewinner was Sir Alec Guinness.

### New play by Julian Mitchell at Old Vic

*After Aida*, a new play by Julian Mitchell with music by Verdi, Boito and Rossini, will open in London at the Old Vic for a limited season on March 12.

The play is directed by Howard Davies, designed by Bob Crowley, and has Ian Charleson, Richard Griffiths, Gemma Jones, David Lyon and Malcolm Storry in the cast. It was originally presented by the West National Opera on a small tour of Wales during 1985.

### Rowan Atkinson in new revue

Rowan Atkinson returns to the West End in *The New Revue*, opening at the Shaftesbury Theatre on March 7 for a limited season, prior to a Broadway presentation in the autumn.

This revue, an entirely new one-man show, is written by Richard Curtis, Ben Elton and Rowan Atkinson.

It will play at the Palace Theatre, Manchester all this week and at the Hippodrome, Birmingham, from February 24.

## A Month of Sundays/Duchess

**B. A. Young**

This rather uneventful comedy has come in from the Nuffield, Southampton (whose patron peer must be clocking up some high rpm in his grave at the moment). It tells the story of two residents in an old people's home, both of them on the verge of some geriatric embarrassment. Cooper (George Cole) is in danger of incontinence. His friend Aylott (Geoffrey Bayldon) is afraid that he may lose his memory. They come to a friendly agreement that these two catastrophes will afflict them at the same time; and so, at the final curtain, they do.

The author, Bob Larbey, is known for a television series, *A Fine Romance*, and has not written a stage play before. This is no doubt the cause of this piece's shapelessness. It would be too much to say that nothing happens; things do happen, but they come and they go with no effect on the plot, in so far as there is a plot. There is talk about another resident whose mind gives way; another one dies, offstage. Cooper's daughter and her husband pay their routine visits. The attractive Nurse Wilson (Siobhan Redmond) announces her engagement, even invites Cooper to her wedding. The maid, Mrs Baker (Lorraine Peters) reminds Cooper of his late wife's singing.

But none of these things has an effect on events. When Aylott's mind goes, routine, carefully manipulated by Cooper, carries on. When Cooper wets his pyjamas, it is not significantly different from his endless visits to the bathroom. The title precisely suggests the endless boredom of existence among the almost geriatric, and I am afraid some of that boredom spills over into the house. The play is neither funny enough nor sad enough.

George Cole does what he can to instil a touch of life into a deliberately lifeless part. This he is enabled to do by the long soliloquies he is given to describe what goes on between such action as we see. The set, a good plain bed-sit, was designed by Sarah-Jane McClelland, and the director is Justin Greene.

## One of Us/Greenwich Theatre

**Michael Coveney**

The old climate of treason is producing a substantial body of new work in theatre and on screen; Alan Bennett's *The Old Country* and *An Englishman Abroad*, and Julian Mitchell's *Another Country* (also originated at Greenwich), is now joined by an impressive, almost Pinteresque conversation piece by novelist and TV writer Robin Chapman in which first Guy Burgess and later Anthony Blunt—making his stage debut—measure out their shadows on the Thames-side lawn at Sonning of Goronwy Rees.

The time is May 1951. Burgess has returned to London from Washington in order, it appears, to rescue Maclean. In Chapman's long first scene, he pumps Rees, newly elected Estates Bursar at All Souls, with a Foreign Office paper he has prepared on American anti-Communism, before spilling the beans about his true mission. Following Burgess's departure, Rees confronts his wife Margie with a confessional explanation of his past in intelligence society ("All I did was say yes for a while, *en principe*"); Blunt arrives the next morning to enlist Rees's co-operation in the cover for the double defection to Moscow "as a *memento mori* of past ideals."

What the subject in this case has done is provide a stylistic skein which, pulled tight in Alan Strachan's well judged and conspicuously well inflected production, ripples with ambiguous tension as the characters probe and goad each other into clarifying positions and beliefs. Much is made in the later stages of E. M. Forster's passage in *Two Cheers For Democracy* about the choice between betraying one's country and one's friend. Rees was the one who did not have the guts to betray his country and, in the play's words, is left certain of feeling the true traitor.

Anthony Andrews, thickening out with a hint of Welsh blotchiness and a demonstratively quivering right hand, presents an authoritative portrait of a man whose war and whose marriage have changed his life. He is lost to the past, a prey to the future. His shimmering garden, designed with a reflective sheen of RSC plastic by Bob Crowley, is an English haven of dappled lawns, white wicker furniture, Scotch, sunset and church bells. Children's toys lie scattered on the sward.

The play is more explicit about Blunt's and Burgess's friendship than you might expect. Ian Ogilvy's Burgess pre-dates the bloated Alan Bates version in his youthfulness and loose-limbed elegance, flashing his teeth and scattering sweet nothings with promiscuous abandon while conveying a sense of period enthusiasm and adventure that contrasts severely with David Horovitch's sober-suited Blunt later on. Blunt's aquiline hauteur is not in Horovitch's repertoire, but he certainly cuts a clipped and imposing figure experiencing emotional pressure as he fights desperately to make Rees watertight.

The long expositions and historical explanations are cunningly managed and maintain their interest through the skill of the playing. This is especially so in the rather more circuitous scene between the married couple ("Is it some nasty pansy thing?" Margie wants to know) and Jenny Quayle is a wife combining strength and innocence.

### Celebrating celebrity cabaret at The Ritz

To celebrate the second anniversary of the return of cabaret to The Ritz Restaurant, the artists who have appeared during the past year will return for a special evening on Tuesday March 4.

Among those performing will be Richard Rodney Bennett, Josephine Blake, Adelaide Hall, Marian Montgomery, Angela Richards, Peter Skellern and Julie Wilson; Ned Sherrin will introduce them.

### GLA dance and mime awards for 1985

The Greater London Arts has awarded the following artists £600 each as winners in the scheme's sixth year; Mario Diekuuroh, David Glass, Wendy Houstoun, Sue MacLennan and Simon McBurney.

### Dance joins computer age

The Arts Council has awarded a grant of £650 to enable four dance companies to computerise their marketing and administration. Extemporary Dance, Mantis Dance, Janet Smith & Dancers and Dance Umbrella will share the award, which enables their company administrators to participate in microcomputer seminars.

The Royal Opera House is lending its computing facilities to the dance companies free of charge.

### 'Judy' to transfer to the Strand

*Judy*, a musical play by Terry Wale, about Judy Garland which has been playing at the Greenwich Theatre, is to open at the Strand Theatre on March 26. Leslie Mackie stars as Judy Garland.

## Terry Riley/Logan Hall

**David Murray**

Visiting so soon after the travelling Steve Reich circus, Terry Riley on Monday evening was a friendly reminder that the Reich/Glass "systems music" when it started with him, wasn't animated wallpaper. Riley, after all, was a musician and indeed a jazz player; his experiments —which resulted in several appealing pieces, but never pretended to establish a fixed, self-sufficient idiom—were personal, open-ended and player-oriented. If audiences were interested too, so much the better, but there was no thought of developing *a patentable commodity*. The musical *moiré* effect of skewed repetitions, with or without tape-loops, was one side of the inquiry, but only one.

In the 60s and early 70s, the gently hypnotic air of some of Riley's more extended pieces attracted numerous lovers of mystical pop, and he found himself in vogue. As times grew tougher (and the pop-lovers older), the harder-edged products of Reich and Glass took over that market, with flat surfaces that could be polished to *a high gloss and re-exposed ad infinitum*. Meanwhile Riley was investigating Indian music further; and among his new interests (which had always been close to the material of live sound itself) was the effect of non-standard, non-"well-tempered" intervals.

Since the time of Bach, equal-temperament tuning—with all *the semitones that* make up an octave tuned the same—has become ubiquitous in Western practice. *"Just" tuning*, with true thirds and fifths, works only for a few related keys at a time, and is mistuned for remoter ones. On Monday Riley appeared without a tape machine, but with a Bösendorfer tuned to "just" intonation for the key of C-sharp: not to display the charms of pure C-sharp major unalloyed by equal-temperament, *but to explore the peculiar Affekt* of the strange intervals that crop up when modal music is *not* in C-sharp. Only a pre-tuned instrument can do that with confidence.

Riley's piano was also modestly "prepared" *à la* Cage and specially miked, the better to elucidate this intriguing sound-world. He played continuously for rather more *than three-quarters* of an hour in the *first half*, and for a little less in the second (but then he sang, too, in an ancient croak with meticulous intonation). All or most of what we heard belonged, apparently, to a growing piece called *The Harp of the New Albion*—though all or most of its component sections are of course improvised.

Riley's agile but deliberately *restricted piano-style*, with right-hand work mostly in even notes racing at double or triple the speed of the left hand with ostinati and boogie-basses, doesn't offer inexhaustible rewards; and he declined to end any section conclusively. From time to time, however, the mythical wind-harp of his title became a potent *presence*: behind the chattering formulas that were actually being played, longer, *hammerless sonorities* hung in the air like sighing genies conjured from the instrument by arcane spells.

### Comic Relief follows Band Aid

*After Band Aid* comes *Comic Relief*, the latest show business scheme to encourage the public to part with their money for a good cause.

Comedians including Billy Connolly, Rowan Atkinson, Mel Smith and Griff Rhys Jones are holding a benefit concert at the Shaftesbury Theatre, London, on April 4, 5 and 6 in aid of famine victims in Sudan. The comic group The Young Ones are also re-making the single "Living Doll," with a guest contribution from Cliff Richard, *for the same cause*.

Comic Relief is run by the fund-raising ginger group *Charity Projects*, which is hoping to attract company sponsors to cover the cost of staging the events.

## Dmitri Alexeyev/Elizabeth Hall

**Dominic Gill**

I have admired the strength and poetry of Dmitri Alexeyev's playing ever since he won first prize at the Leeds Piano Competition in 1975, and he has seemed to be an artist whose stature has continued to grow over the years. *But though there was much to* admire, and to stir the imagination, in his Chopin recital on Monday, too much of his point-making was pedantic and laboured, too much of his stance seemed uncomfortably contrived.

Some pianists treat Chopin's *24 Preludes* as an adventure in a particular pianistic element—I remember hearing Cherkassky play the whole sequence once as a marvellous etude in *pianissimo* sonority, rarely rising above *mezzopiano* even at climaxes. Alexeyev seemed inclined to treat them as a study in exaggerated rubato and inflated dynamics, somewhat in the old-fashioned Russian style (it was Liszt's complaint about Anton Rubinstein that he played havoc with Chopin's dynamics). But even Anton *Rubinstein, I guess, would not* have beaten hell out of the Preludes as forcefully as Alexeyev. Even the E minor Largo melody, whose expressive limits are quite clearly set between a simple *piano* and *forte*, was stretched from triple-pianissimo to fortissimo—*making nonsense at the same time* of those other Preludes, like the E major Largo, whose much broader dynamic range *is* intended to be a climactic point.

The 22nd and 24th Preludes were *hammered* out like neo-Lisztian *Visions diaboliques*. *Boy bitten by a Lizard* has programme, which Alexeyev devoted to the four Ballades, he made every page of the G minor Ballade which can be played louder than *mezzoforte* a whirlwind of noisy rhetoric, turning the rest into a haze of rubato note-spinning. That is an exaggeration; but it was the impression. And though the tempestuous episodes of the F major Ballade were pitched *exactly and excitingly right* — those episodes *are* over the top —in the evening's context they were merely yet another *exhaustion: Chopin* in an armlock, doggedly held. There is evidently something savage and grimly point-proving in Alexeyev just now which he has to play out of his system. I hope he manages it soon.



# Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

## Theatre

Feb 14-20

### LONDON

**The Scarlet Pimpernel** (Her Majesty's): Donald Sinden in resplendent plummy-voiced form as Baroness Orczy's one-man resistance movement to the French Revolution. Opera director Nicholas Hytner's efficient and sparkish production has smoke, tumbrils, rat stew and rolling heads. (930 4025).

**As You Like It** (Barbican): Much improved since last year's Stratford-upon-Avon season, Adrian Noble's loosely *Edwardian* production now emerges as a secret-garden adventure where Rosalind (Juliet Stevenson) has the sisterly devotion of Celia (Fiona Shaw) threatened by Orlando (Hilton McRae). A superb Jacques from Alan Rickman. The RSC Barbican repertoire also includes a fine Othello with Ben Kingsley and, in The Pit, Christopher Hampton's absolutely breathtaking, unmissable version of Les Liaisons Dangereuses (628 8795).

**Zephyr** (Shelter West): Steven Schwab's exploration of a 16-year-old's use of a noose to increase sexual pleasure inaugurates the off-off Broadway company's 13th season. (673 6341).

**Are You Lonesome Tonight?** (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has *reached this pretty pass. Exploitative*, but not strictly for tourists. (836 2294).

**Les Misérables** (Palace): Notably well sung and spectacularly produced rock opera from the Nickleby and Cats team of Trevor Nunn, designer John Napier and lighting man David Hersey, Colm Wilkinson superb as Jean Valjean. A melodramatic distillation of Hugo, and none the worse for that. The French score is rousingly melodic, with serviceable new lyrics from Herbert Kretzmer. (437 8834)

### NEW YORK

**Cats** (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

**42nd Street** (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

**Brighton Beach Memoirs** (46th St): The first instalment of Neil Simon's mix of *memories* and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

**A Chorus Line** (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre *with its backstage story* in which the songs are used as auditions rather than emotions. (239 6200).

**La Cage aux Folles** (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

**I'm Not Rappaport** (Booth): In moving to Broadway, Herb Gardner's touch*ing*, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

### WASHINGTON

**Restoration** (Arena): Edward Bond's combination of contemporary politics and 18th-century high jinx with music by Nick Bicat is directed by Sharon Ott of the Berkeley Rep. (488 3300).

### CHICAGO

**Fences** (Goodman): James Earl Jones plays a 1950s baseball player capable of being in the major leagues but subject to discrimination because he is black, in August Wilson's latest drama about the *American* black experience. Ends Mar 9. (443 3800).

### PARIS

**National Theatre, London**, Ian McKellen and Edward Petherbridge's NT group: Stoppard's The *Real Inspector Hound produced* by Stoppard: Sheridan's The Critic produced by Sheila Hancock. Théâtre de l'Europe – Odéon Théâtre (4325 7032).

## Saleroom/Antony Thorncroft

# Caravaggio picture saved

An *important* painting has been saved from export. It is *Boy bitten by a Lizard* by the currently fashionable Italian artist Caravaggio. The National Gallery, with the aid of money from its J. Paul Getty Jr Endowment Fund, has paid around £1.5m to keep the painting in the UK. *An export* licence had been applied for and the rescue came in the nick of time.

The Caravaggio had been in the collection of the late Vincent Korda, brother of the movie-maker Sir Alexander Korda. It was destined for the US before the National Gallery stepped in. There are only two other works by Caravaggio in the UK, both in the National Gallery.

A *composition* of the early 1590s, when Caravaggio was just over 20, *it differs* from the National Gallery's other works which have religious themes: *Boy bitten by a Lizard* has erotic overtones and incorporates still-life techniques. The artist has become popular in recent years, perhaps because of his raffish private life: he died in poverty at the age of 39. The painting will go on display later this year.

★

Sotheby's policy of periodically having a week of sales at its *Summers Place* auction rooms at Billingshurst in Sussex seemed to pay off yesterday. The morning session of furniture totalled £370,326, with 10 per cent unsold, and prices at least the match of London. Michael Norman, a Brighton dealer, paid £22,000 for a George II padouckwood and crossbanded bureau-on-stand of around 1735, which had carried a £3,000-£5,000 estimate, and £9,900 for a George II red walnut drop-leaf table of around 1740.

Many lots sold for way above their forecasts. A pair of George III satinwood and crossbanded "D"-shaped card tables of around 1785 are going to a new home in Finland for £13,750, and a Chinese black lacquered *eight fold screen* of around 1760, described as "severely distressed," sold for £10,450, double its top estimate.

Christie's South Kensington is upgrading *its* sales of oriental works of art and yesterday sold a Basholi miniature depicting Radha and Khrishna, produced about 1680, *for £1,500. Pairs of* 19th-century watercolours of Indian birds did well, two cockatoos making £750.

In the coin auction at Christie's King Street, a USA proof $10 of 1900 sold for £4,320: only 120 were struck. Domingo, a Texan dealer, paid £2,808 for a Guatemala four escudos of 1817. The collection of Norfolk tokens of Mr D. L. Cornell, security chief at Anglia Television, *was selling* just over forecast. Ten Norwich tokens of the 1660s made £432 and one from Brancaster, 1667, double its estimate at £183.60.

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Wednesday February 19 1986

# South African bank deadlock

SOUTH AFRICA'S 30 leading bankers will meet South African officials in London tomorrow. They will be brought together by a Swiss mediator, Dr Fritz Leutwiler, to discuss the future of the moratorium on repayment of short term bank debts imposed by Pretoria last August after US banks had decided to call such loans, rather than roll them over, because of mounting political pressure at home.

Anyone who expects these bankers to propose political reform to the South Africans at this meeting will be disappointed. The two sides are trying to find a way to live with a political reality, rather than to change it. This reality is the unexpected emergence of the banking system as a conduit for the US public's attitude towards the situation in South Africa. It has allowed shareholders, depositors and the public directly to impose an economic sanction without having to persuade their Government to do so.

The end of this impasse on bank debt cannot be decided between South Africa and its bankers. It will be achieved only when the US banking public feels satisfied with, or loses interest in, the South African political situation.

*Breathing space*

A South African "medium term rescheduling" — the classic answer to a liquidity problem—is not politically available to the banks: it would look too much like a bail-out. So Dr Leutwiler is pushing for little more than a formal acceptance by both sides, for a year, of what would otherwise have happened in any case. Very little principal will be repaid until the end of March 1987. Interest will be paid. New loans will not be forthcoming.

Even this small breathing space—much more modest than the freeze until 1990 proposed by the South Africans before Christmas—has required Dr Leutwiler to exude the maximum degree of calculated optimism to make it seem palatable.

At the beginning of the year the expressed confidence that President Botha would unveil reforms of sufficient extent to resolve the debt impasse. In the event, the speech made by the President at the opening of parliament on January 31 created the right initial impression with its programme of economic, political and social reforms and its assertion that South Africa had "outgrown the outdated concept of apartheid." But it has since become steadily clearer that the Botha package is dedicated to more equal, but still separate, development of South Africa's white minority and black majority.

Now that the Foreign Minister has had his knuckles rapped for postulating a black president, now that the leader of the white opposition has resigned in despair at the lack of real progress towards reform, and with violence on the rise again, tomorrow's meeting will be held in a narrowing window of opportunity.

Other developments have, moreover, strengthened South Africa's hand. The country's current account surplus will be bolstered by the fall in the price of oil and the rise in the price of gold—albeit erratic.

*Downward spiral*

But in the end a sophisticated developing economy like South Africa's must be impeded by such an unsatisfactory relationship with the international credit system. The thumbs-down from the US bank customers is part of a downward spiral in which lack of reform leads to lack of growth, lack of employment, exaggerated inequality between white and black, increasing black frustration and violence, justifying further white intransigence, and so on.

In such circumstances a one *year stand-off on the repayment* of short-term debt, leading to a review of South Africa's economic and political situation next March, is probably the best that the 30 banks can hope for. They are probably right to steer clear of offers of loans with political conditions attached, but they can reasonably point out that they are unlikely to be able to resume business as usual with South Africa until the Government starts to explore alternatives to the policy of separate development.

# Why Land Rover is not Jaguar

THE PROPOSED sale to General Motors of the Land Rover business, one of Britain's great export success stories, has provoked understandable feelings of dismay in the West Midlands and elsewhere. The Government is being accused yet again of selling the country's crown jewels to *foreign multinationals. Alternative* purchasers, including Lonrho, have appeared on the scene, and there are plans for a management buy-out. Others would like Land Rover to follow Jaguar's example in seeking a flotation on the stock market. None of these rival schemes appear to take much account of commercial realities, which point strongly in favour of the deal with General Motors.

*Expenditure*

Introduced in 1948 as a diversification by the Rover car company, the Land Rover built a remarkable reputation as a durable and versatile work-horse, sold mainly to armies, police forces and other government agencies throughout the world. Although it was overtaken in terms of numbers produced by Toyota and it suffered badly from the recession in the developing countries which are its principal customers, the Land Rover remains a strong contender in the four-wheel-drive market; the Range Rover competes at the luxury end of that market. After heavy investment in new facilities and models it is expected to make modest profits. Linked closely with the Freight Rover van operation, Land Rover is probably the most attractive element in the commercial vehicle group which, apart from buses, General Motors has been negotiating to buy from BL.

There are, however, important differences between Land Rover and Jaguar. Even Jaguar is a high-risk business; if a new model fails, the results could be fatal. But the Jaguar is a luxury car with a special niche in the market. Land Rover is in a crowded market which contains Japanese, European and North American companies and in which price can be as important as specification. The with customers demanding variants to suit their own needs, is complicated and needs considerable engineering resources.

The business also faces large capital expenditure in renewing the model range, especially on the Freight Rover side in the next few years. There is room for argument about whether Land Rover needs to be as vertically integrated as it is, making most of its own engines and other key components — though if it relied more on bought-in components, it would lose valuable profit on spare parts. It almost certainly needs to be more integrated and more capital-intensive than, say, the manufacture of buses, which is largely an assembly and marketing operation.

It is theoretically possible for Land Rover/Freight Rover to be hived off to the management as an independent company, but whether it would earn enough profits to be self-supporting must be extremely doubtful. A more credible purchaser might be an international group such as Lonrho. There is no compelling logic behind the association of Land Rover with trucks; for most of its existence it has been linked to passenger cars. Because it is a well-regarded product in a diversified sector of the market, it does not need to be linked with Leyland or Bedford trucks to attract good dealers. Nevertheless, there are several reasons why a merger with a major automotive group such as General Motors makes sense.

*Association*

General Motors would provide substantial engineering and marketing support. It has experience of four-wheel-drive vehicles both in the US and, at the lighter end of the market, through its association with Suzuki in Japan. The prospects for Range Rover in the US would be enhanced by access to GM's sales network. More crudely, GM says it will not buy Leyland trucks unless it also buys Land Rover. The Government badly needs to find a buyer for the loss-making truck business, which has no chance of survival on its own, and it would be a mistake to jeopardise the GM deal by insisting on a British purchaser for Land Rover.

A sale to General Motors is not an ideal outcome, especially in a political sense. Given the US company's record with Vauxhall and Bedford, there can be no guarantee that GM will make a success of Land Rover/Leyland. But of the available options it seems to offer the best prospect of maintaining the two UK businesses as effective and viable international competitors.

THE UK-SAUDI ARMS SALE

# A deal in a different dimension

**Bridget Bloom** and **Richard Johns** report on the background to Britain's biggest-ever arms export agreement

VIEWED FROM any angle, this week's £5bn arms export deal between Britain and Saudi Arabia is a remarkable affair.

Involving the sale of 132 military aircraft as well as support services, it is the biggest deal of its type Britain has ever concluded. Won against strong competition from France, it has important implications for the country's aerospace industries.

Since it is also the biggest trade transaction to have been paid for almost wholly with oil, the aircraft sale could also have important implications for a glutted oil market, where prices are at their lowest levels for years.

For Saudi Arabia itself, the purchase is also of major military significance. It will increase the kingdom's combat airforce by 50 per cent and give it the capacity to launch bombing and missile attacks on long-range targets. As such, the Saudis believe the new aircraft will greatly increase its ability to deter attacks on its own territory.

The deal has also provided its fair share of drama. President Mitterrand, President Reagan and Mrs Thatcher have all been personally involved and, as is normal with such *transactions*, the deal has been struck in an atmosphere of great secrecy.

Britain's Chief of Air Staff was told only two days before the contract was initialled in September that Riyadh had decided to buy not only 48 of the strike (or attack) version of the three nation Tornado fighter bomber, but 24 of the air defence variant as well. Also included in the deal are 30 advanced Hawk jet trainers, made by British Aerospace, and 30 basic Swiss-built Pilatus trainer aircraft.

In fact, Saudi Arabia's decision to award the contract to the UK owes as much to Washington politics as anything else, although yesterday some American analysts argued that, in the event, the Saudis have got more effective equipment for their money than the US would have been prepared to sell them.

The Saudis' first choice was a combination of US-built F15C interceptor (defensive) aircraft and F15-E ground attack aircraft, which would have been compatible with the Saudi airforce's defensive system of US-built Awacs and the $4bn Peace Shield command, control and communications system.

But in early 1984 it became clear that pro-Israeli sentiment in Congress would not permit such a deal, at least not without tight restrictions on the stationing of the F15s.

As a matter of policy Saudi Arabia has sought to diversify sources of arms procurement and even, to an extent, to use purchases as a political favour. It also endeavoured to look closely at all options and tried to obtain the best—hence its dogged determination to obtain the Leopard tank from West Germany *despite* the political obstacles.

In 1980 Prince Sultan, the Saudi Defence Minister, chose France to build up the Saudi Navy and opted for its Shahine surface-to-air missile. The Saudis have also bought equipment from Italy, Austria, Switzerland and Brazil.

Since the first Tornados will be off-the-shelf units originally destined for Britain's Royal Air Force, delivery can start next month. The Tornados will also offer the Saudis both a level of strike power and advanced radar and missile technology not available from either the F15s or the French Mirage 2000, which at one stage appeared a strong contender for the order.

Through the purchase, the Royal Saudi Airforce will acquire the advanced aerial attack capability which it has sought for a decade or more. Nor will there be any restrictions on the ability of the aircraft operating in the north west of the kingdom or from the Tabuk military base which, the Saudis fear, could be the target for a pre-emptive attack by Israel in the event of its going to war with other Arab states.

For the UK the industrial implications, particularly of the Tornado sale, are considerable. More than 800 Tornados, Nato's latest fighter bomber, are being jointly built by the UK, West Germany (each with a 42.5 per cent work share), and Italy with 15 per cent. Production lines were to have closed in late 1989, leaving a gap of at least two years before production of the new European fighter aircraft was to begin. The new orders, with the virtually certain addition of another 40 from Germany for new reconnaissance squadrons and between 40 and 70 for replacement buys for the three nations, will keep production going at least until 1991.

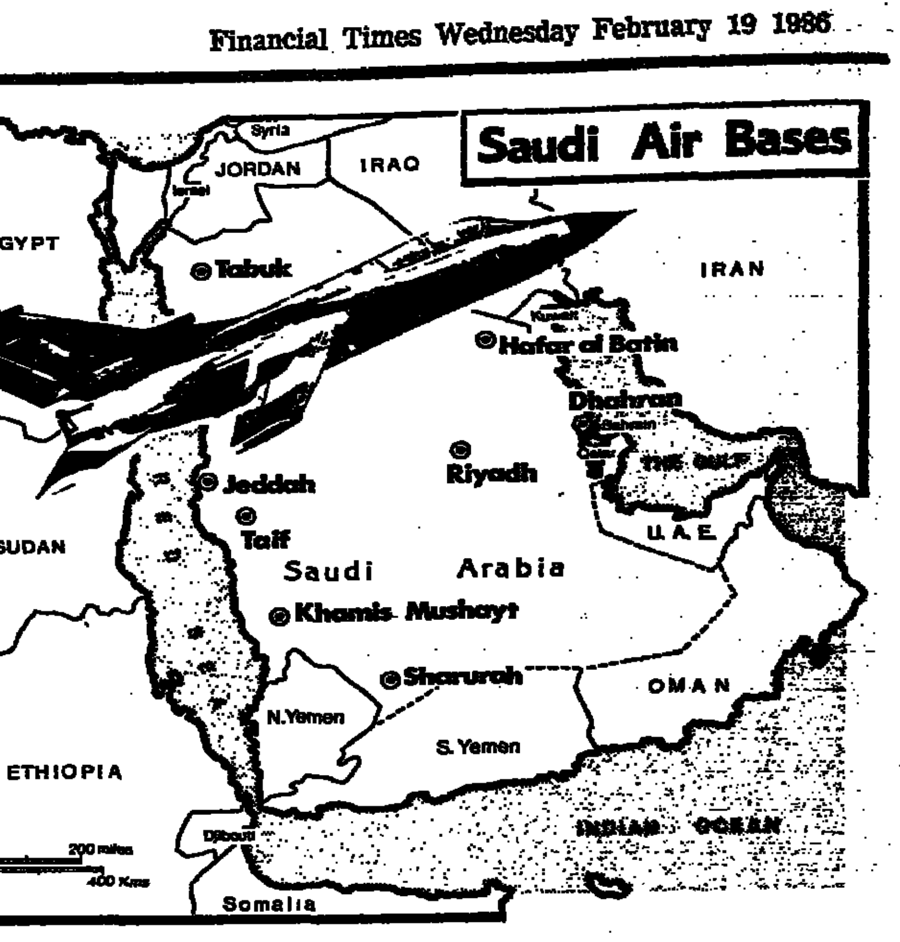
The knock-on effect for BAe's sub-contractors, supplying 50-60 per cent of the whole deal, will also be substantial, particularly in the UK. Britain will supply almost all the weapons for the Tornadoes, including Hunting Engineering's runway-cratering weapon JP 233 and British Aerospace's own new anti-radar Alarm missile. Probably less than 10 per cent of contract value of some £50m for the Swiss built Pilatus PC9 will accrue to Britain. And BAe's Hawk advanced jet trainer is a wholly British aircraft.

However, the deal goes beyond the production of aircraft. It includes a large maintenance and spares programme, construction to modernise airbases in Saudi Arabia and a very large training programme. BAe estimates that a 1960s deal with the Saudis centering on the sale of Lightnings and Strikemasters, will ultimately prove to have been worth 10 times the original aircraft sale. of £150m. The company is more cautious about the current deal, but expects at least a doubling of its worth, to £10bn plus over the next decade.

But the most immediate impact of the Saudi deal is being felt by the RAF which four months ago, before any money had changed hands, had begun training Saudi pilots and navigators. It had also agreed to forego 20 of the strike Tornadoes which would this year have formed the first of two reconnaissance squadrons. The first six of these aircraft will be delivered to the Saudis in the next ten weeks, with the balance being flown out in early 1987. All the aircraft deliveries should be completed by 1989-90.

The RAF's major concern has been with the impact of the delay in its own deliveries on an already strained budget. It is understood that agreement has now been reached with BAe that the aircraft being diverted to Saudi Arabia will be replaced later at no extra cost to the defence budget—the company presumably covering the difference by the price it is charging Riyadh.

Meanwhile, the RAF is putting a brave face on the operational implications of the deal. The formation of the reconnaissance squadrons will be delayed by at least a year, as may be at *least one Tornado air defence* squadron. However, the RAF believes that it will get more modern aircraft by waiting longer, which will be some compensation.




MAJOR IDENTIFIED SAUDI ARMS DEALS

| DATE | EQUIPMENT | SOURCE | COST ($m) |
|---|---|---|---|
| 1984 | Command, control & communications system | US | 1,200 |
| 1983 | KC-707 tanker aircraft | US | 2,400 |
| 1983 | Sparrow aircraft missiles | | |
| 1982 | F-5 reconnaissance and training aircraft | US | 350 |
| 1981 | Sidewinder aircraft missiles | US | 200 |
| 1981 | E-3A Sentry AWACs | US | 8,000 |
| 1980 | Frigates & missiles and other naval equipment | France | 3,450 |
| 1979 | Armoured vehicles | France | — |
| 1979 | Air defence system link | US | 1,640 |
| 1978 | F-15 fighters | US | — |

Source: International Institute for Strategic Studies

## SAUDIS TURN THE TABLES ON NORTH SEA PRODUCERS

SAUDI ARABIA's decision to pay for the £5bn cost of 132 British aircraft over three years with oil ties in neatly with its policy of gaining secure outlets for its crude oil production at a time when all oil producers are scrambling to maintain their share of a stagnant market.

After prompting from the British Government, British Petroleum and Shell have agreed to take, refine and sell the oil under existing netback arrangements with the Saudis.

Under this system, all pretence of an official government selling price is abandoned in favour of guaranteeing sales volume. About 30 days after taking delivery of the oil, the recipient pays the Saudis a price calculated on the realised value of the oil's products in the north west European market, after deducting transport and refining costs, so allowing a guaranteed margin for the purchaser. It is thought that efficient refiners make about $1.40 for every barrel of Saudi netback crude lifted.

BP and Shell currently have agreements to lift 100,000 b/d each of such oil for use in their downstream operations west of Suez. In the case of the aircraft deal, the Saudi government will pass the payments from BP and Shell directly into a British Government account. This sum will then be paid to British Aerospace.

At the time the British Government first mooted the Tornado deal, BP/Shell's existing entitlement to 200,000 b/d seemed *sufficient to meet the* three year payment scheme. But with the oil price now about $17 a barrel, it seems that the two big British companies will have to sign incremental netback deals. At present prices this involves hardly an extra 75,000 b/d.

This is clearly satisfactory for the Saudis, as it will guarantee them further secure outlets, but it simultaneously decreases the scope for BP and Shell to play off the Saudis against other producers such as Nigeria and the United Arab Emirates, which now offer better terms than the Kingdom. Nigeria, *for example, is offering a* guaranteed profit of $2-$3 a barrel to partners of the country's state oil refinery.

There are fears in the wake of the arms deal that more Saudi crude coming into the Atlantic basin will depress North Sea oil prices further. *But officials claim the Saudis* will find the oil within their existing production ceiling. Since all Saudi imports have to be paid for by oil production, it is argued that there is nothing unusual about the Tornado deal.

Nonetheless, it appears, whether at the behest of the UK Government or not, that at least part of the incremental BP/Shell netbacks will be heading east of Suez. Shell is thought to be putting the final touches to an agreement to take at least a further 50,000 b/d of netback crude through the network of Showa Shell, its *Japanese subsidiary. Last* year the United Arab Emirates knocked Saudi Arabia from its perch as the premier exporter of crude oil to Japan, and the Saudis are keen to regain their pre-eminence.

The Saudi netback policy is *today seen as the best way* of guaranteeing access to markets for a country which unlike Kuwait, failed to build an international network of downstream operations.

According to Professor Robert Nabro of the Oxford Institute for Energy Studies, the effect of the growth in Saudi netback deals is to turn the tables on the North Sea producers.

In the days when Opec tried to keep government selling prices higher than free market rates, the North Sea was the basic source of oil supplies for the big companies, while Opec output was used only as a top-up, exposed to the volatility of sudden changes in demand.

But as more and more Saudi crude becomes the staple for companies like BP and Shell, North Sea oil increasingly relegated to a marginal top-up well. But since there is no control over North Sea output, the result is very sharp falls in North Sea prices at times of weak demand.

**Dominic Lawson**

# Men and Matters

## Lloyd's post for Lord

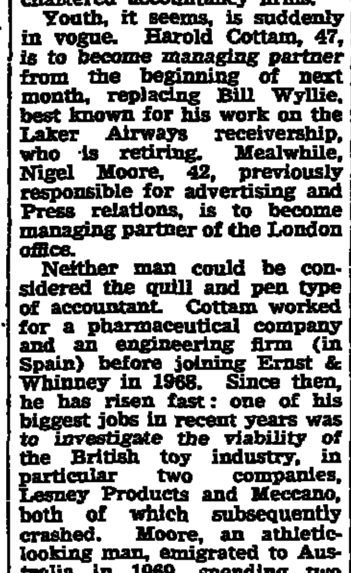
Out of the public eye since falling a victim to Sir Michael Edwardes's boardroom clearout at Dunlop at the end of 1984, Alan Lord yesterday emerged as an unexpected choice for chief executive of Lloyd's, following in the controversial footsteps of Ian Hay Davison.

Lord has remained, however, very much in evidence at the Bank of England, where he has been a director, and the connection must be significant in view of the argument about whether the Bank was giving Davison enough support at Lloyd's.

Peter Miller, chairman of Lloyd's, and a short, punchy character very much in the Edwardes mould, remarked yesterday that Lord had experienced a spell as a senior civil servant in the Department of Trade and Industry under Tony Benn "and I don't suppose you'll find a chairman of Lloyd's more difficult than that."

Not everybody would share Miller's view of that, but on the other hand Lord showed little of the abrasiveness, which led to Davison's stormy relationship with Miller. For his part, Lord expressed his confidence yesterday that the troubled insurance market would prove a "very interesting and pleasant" place to work, and accepted that his main efforts should be directed towards improving the administration—an area which is unlikely to bring him into conflict with the Council.

Would the quiet-spoken ex-Treasury and Inland Revenue official prove tough enough for his new high-profile job? "Perhaps you would care to address that question to the 8,000 people who left the tyre business in four years," he replied.



"Take my tip sir—buy British while there's still time"

## New money men

A quiet revolution is taking place at Ernst & Whinney, who rank fifth among the UK's chartered accountancy firms.

Youth, it seems, is suddenly in vogue. Harold Cottam, 47, is to become *managing partner* from the beginning of next month, replacing Bill Wyllie, best known for his work on the Laker Airways receivership, who is retiring. Mealwhile, Nigel Moore, 42, previously responsible for advertising and Press relations, is to become managing partner of the London office.

Neither man could be considered the quill and pen type of accountant. Cottam worked for a pharmaceutical company and an engineering firm (in Spain) before joining Ernst & Whinney in 1968. Since then, he has risen fast: one of his biggest jobs in recent years was to investigate the viability of the British toy industry, in particular two companies, Lesney Products and Meccano, both of which subsequently crashed. Moore, an athletic-looking man, emigrated to Australia in 1969, spending two years in Ernst & Whinney's Sydney office before returning to London.

Ernst & Whinney has always been known as the solid, reliable but slightly stuffy accountancy practice whose strength lies in audit work. The appointment of Cottam and Moore to top posts suggest more concentration on new financial services such as management consultancy, and is a sign of increasing competition within the profession.

## Burke's dilemma

It is a marketing challenge which most company chairmen hope they never have to face. How to restore the image of the company's best selling product which is linked in the public mind with death?

James Burke, aged 60, chairman of Johnson & Johnson, the US health care giant, is facing the challenge for the second time in his career following the recent death of a young New York woman who had taken one of the company's extra-strength Tylenol capsules, which had been laced with cyanide.

When seven people died after taking cyanide-laced Tylenol capsules in 1982, many people thought that it marked the end of Johnson & Johnson's top selling product. However, in less than three years Tylenol had re-established itself as America's best selling painkiller.

As was the case when the first Tylenol crisis broke, Burke has moved quickly to defuse it — and has won considerable respect for the way in which *he has handled the tragedy.*

Yesterday he said that the decision to withdraw from capsule manufacture was taken "with great reluctance and heavy heart." But he vows that Tylenol will continue to be the market leader in tablet and caplet form.

Johnson & Johnson's decision to stop making all of its over-the-counter drugs in capsule form—a move which will cost the company an estimated $150m—bears the stamp of Burke, a calm but forceful figure, who has headed the group for the last decade.

He is known to have been reluctant to withdraw from capsule manufacture because it would be seen as an admission that "the terrorists had won."

## Grantham's bid

Adrien Eschallier, the American businessman who bought Aveling Barford of Grantham from BL for an undisclosed cash sum in 1983, was not available yesterday to comment on the suggestion that he may be doing business with BL again.

Paul Channon, the trade and industry secretary, has mentioned Aveling Barford in the House of Commons as a company interested in buying Land Rover and Leyland Bus.

Eschallier was virtually unknown in British business circles until he popped up to take over the then ailing construction equipment company from BL.

In the middle 1970s he was president of the natural resources group of Gulf and Western, and responsible for several mining ventures. Then he practised as an attorney and business consultant in Philadelphia.

Some observers suspected he was acting on behalf of a North American company in the construction equipment business when he bought Aveling Barford. However, those involved in the deal insisted he was buying the company for himself.

His stock is high in Grantham —the Prime Minister's home town—where he has kept the Aveling Barford workforce intact and improved sales, particularly in export markets.

But he is likely to need more clout than the Grantham connection to win preferment over such heavyweight bidders as General Motors, Lonrho, Volvo, and the Laird Group.

***Observer***

An interview with Roy Hattersley

# Labour's strategy takes shape

By Geoffrey Owen and Philip Stephens

WHATEVER the precise ranking of the factors that lost the Labour Party the 1983 general election, its political leaders are sure of one thing: the economic policies they offered the electorate were not credible.

Even with unemployment at 3m and rising, Mrs Thatcher's policies were perceived to represent the most realistic approach to Britain's economic ills. Labour promised an easy way out but it was too good to be true.

Labour has spent the last two years, since the election of Mr Neil Kinnock as party leader, trying to repair that damage. Mr Roy Hattersley, Labour's shadow chancellor, is attempting to convince voters that a Labour Government could offer higher growth and more jobs without a renewed inflationary spiral.

At the heart of this strategy is a revival of manufacturing industry. Mr Hattersley says that as Chancellor he would spend more to get the economy moving, but that there would be no question of Labour tolerating runaway pay deals.

There are many questions unanswered — just how much would a Labour government borrow? How would it cope with pay demands in the public sector? What would be tolerated on inflation? The answer to all these questions is that Mr Hattersley intends to be tough.

"Will we ever have the courage to say that this attempt to hold an industry has failed and we must therefore abandon it? I believe we will. Many of the questions about our long-term success depend on how tough we are going to be on these matters. I think we will be very tough. We have learned that being tough on questions of this sort is essential for the economic survival of the country *and the political survival* of the Labour Government. We cannot go back to the old days when we were weak-minded on these things — we can't do it on pay, we can't do it on investment, we can't do it on public spending."

In describing Labour's approach to industry Mr Roy Hattersley, shadow Chancellor, draws a clear distinction between a re-created National Enterprise Board, which will assist industries and regions for reasons of "national necessity," and the proposed National Investment Bank, which will take more of a banker's view of loan applications. The NIB will be willing to make loans for a time below the market rate of interest if the borrower's circumstances justify it, but this subsidy will be partially offset by profits on normal banking operations.

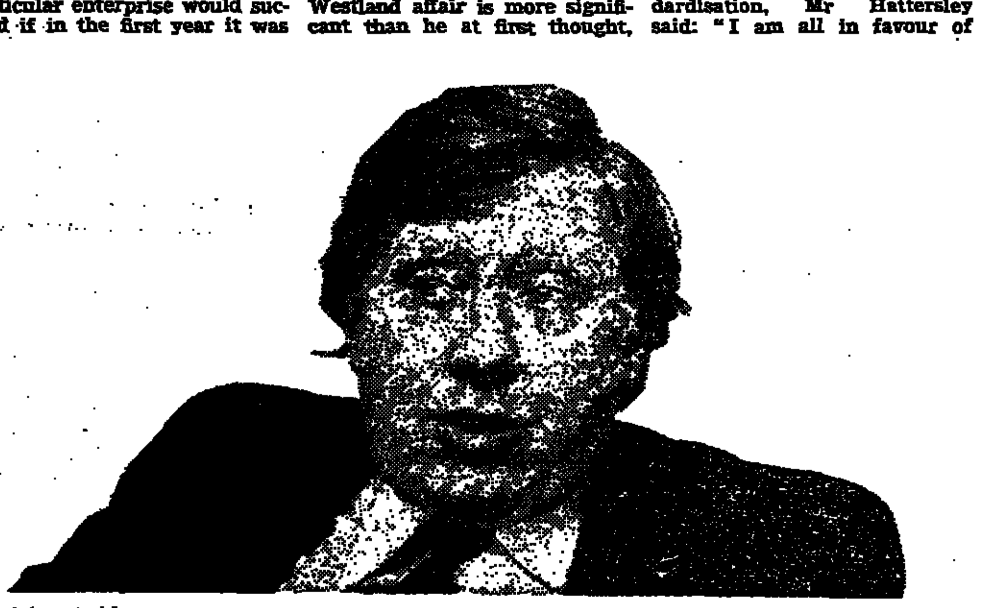
While the NEB would intervene for social or national rather than strictly commercial reasons ("we had to save British Leyland to save the West Midlands economy"), the NIB — perhaps renamed the British Industrial Bank — would be a market - oriented institution.

The NIB might decide that a particular enterprise would succeed if in the first year it was lent money at 2 per cent below base rates, before reverting to normal terms.

"Everyone knows that if people could borrow money at 5 per cent, there would be a lot more *investment* and *jobs*. The cost-to-profit ratio would be changed. The NIB would be changing that ratio slightly, making a market judgment but at a different level of cost."

*Although he declined to* identify them, Mr Hattersley evidently felt that certain industries had to be maintained under British ownership. It was necessary for Britain to have its own truck industry, for instance. While privatisation of Leyland Vehicles under British ownership would be more acceptable than a sale to General Motors, Mr Hattersley believed that the company would fight its corner in the European market more effectively if it remained in public ownership. It would need to collaborate with other companies and the amount of government assistance should be on a declining scale, but the nation could not afford to see the industry disappear or fall under foreign ownership.

Mr Hattersley believes that stronger control over foreign acquisitions is needed. He is visiting France shortly to discover how the French do it; "they would never allow essential industries to pass out of French hands." He says the Westland affair is more significant than he at first thought, not because of skulduggery over the leaked letters, but because of what *it* showed about how the country and the City are run. "Mrs Thatcher says the market must decide, but then the market *turns out to* be three Swiss banks acting for unknown clients." His interest in the forthcoming Commons debate on the City is not to conjure up more scandals but *to shed light on how the City* behaves. "Seedy rather than fraudulent," is Mr Hattersley's view.



More constructive use of public purchasing was essential, Mr Hattersley said. He pointed to the demise of BSA, the Midland motor cycle company, at a time when British police forces were placing large orders in Germany because the BSA specification did not quite match their needs.

Mr Hattersley was cautious on the issue of import controls. He regarded any move to generalised protection as impracticable, while even temporary protection for selected industries posed difficult problems. Nevertheless he felt that some such protection would be necessary in certain cases.

Would not the moves towards a freer internal market within the European Community reduce a Labour Government's freedom of action? Recalling his experience as a Minister arguing in Brussels about pressure vessel standardisation, Mr Hattersley said: "I am all in favour of common specifications so that British pressure vessels can sell in Germany and vice versa, if at the same time the EEC is taking conscious steps to produce something like similar economic performance throughout Europe."

In the broader macro-economic context Mr Hattersley acknowledges that the pace of pay awards will be crucial in *determining how fast a Labour* Government could expand the economy. Inflation, he insists, will not be allowed to run out of control so that the speed of any move back towards full employment will depend on wage restraint.

But he is adamant that there will be no statutory policy to control pay awards. "We've realised that statutory incomes policies just won't work."

The endless arguments about norms, exceptions, and loopholes, he says, are politically and economically destructive. "What I believe we will get is an understanding from the trade unions that their wage demands have to be consistent with the general economic aims that the Government is following."

Mr Hattersley is confident that he will get such co-operation, even though the evidence from both sides of industry at present is that wage negotiators have become increasingly indifferent to the plight of the unemployed.

"The policy we will put across is that it is necessary in their interest. If they want a re-establishment of their social services; if they want their children to be employed; if they want their neighbours to be employed; if they want more policing to protect them from the urban crime that so terrifies larger and larger numbers of people. If they want that sort of service, then there is an unspoken bargain between them and the Government."

Mr Hattersley characterises the attack on unemployment under Labour as coming in a series of waves, beginning with things that could be done most cheaply and quickly

New employment in the public sector through an expansion of capital spending on schools, housing, roads, a modest number of extra jobs in public services and employment schemes geared directly towards training will provide the core of the first wave.

Local authorities have alrdeay been asked to draw up a programme of viable schemes to present to an incoming Labour Government. Mr Hattersley's aides are now working on a scheme to ensure that extra workers taken on for new capital schemes are taken off the unemployment register.

"That is the first stage. It is the cheap stage, it is the quick stage and the one which has *the least effect* on the balance of payments."

While all that was going on the Government would be working on the potential bottlenecks — training and the availability of investment — and the setting up of the National Investment Bank and National Enterprise Board. This will prepare for the second phase — the revitalisation of manufacturing.

# Why the world economy needs a financial crash

By Jan Toporowski

*AN unrecognised merit of Rosa* Luxemburg's The Accumulation of Capital (London, Routledge and Kegan Paul, 1951), is that its theory of international finance is of startling relevance today.

In this book, which could still be read with profit by many City economists, Rosa Luxemburg analysed the process of capital accumulation (ie economic development) in colonial territories around the turn of the century. Lacking their own sources of finance, the major capital projects of those times were paid for by floating shares and stocks on the London Stock Exchange, or international loans.

Inevitably, the engineers and sponsors of the development schemes tended to be over-sanguine about their projects' future profitability. Too often costs exceeded projected expenses and initial borrowings proved insufficient, so that even if completed, the projects were over-loaded with debt repayments and interest. Non-payment of these would precipitate a financial crisis on the part of both lenders and borrowers. The *resulting crash would so devalue* the claims of the lenders on the project as to enable it eventually to be completed, or continue in operation. In this way, many banks and financiers were ruined, but the projects themselves (like railway construction in Britain), were rarely altogether abandoned. Thus, the accumulation of capital proceeded, developing the relatively backward parts of the world and the developed countries themselves, using the money hoards of rentiers to pay for investment, and then defaulting to avoid meeting the claims of those rentiers.

Fortunately, since those times, another less catastrophic means of devaluing the claims of rentiers on economic *development* came to prevail. This was inflation, which devalued rentier claims, while tending to maintain the value of development projects and their revenues upon completion.

The relevance of all this to the Third World debt crisis is immediately obvious. However, the old solution of ruining the rentiers (in this case the international banks and their creditors) no longer seems to be available. The position of the international banks is reinforced by central banks' implicit, if not explicit, willing*ness to act as lenders of last* resort in order to avoid precisely that financial crash which would resolve the debt problem by devaluing it all. The banks themselves have reinforced *their claims in the Third World* by the use of floating rate interest, which has increased the value of interest charges since the 1970s. Moreover, by denominating their claims in *currencies such as* the US dollar and West German D-mark, that have tended to keep their value relative to commodities and other currencies, the banks have prevented their claims from being *devalued* by inflation.

Nevertheless, the decision of debtor countries such as Poland, Nigeria, Peru and Argentina to limit debt service payments to a minority share of their export earnings testifies to the urgent need of those countries to be released from the grip of rentier claims that are paralysing their trade and development. However, this solution is merely a way of easing the current payments problem by taking out more debt. Undiminished by devaluation, the acceleration in the growth of these claims must eventually crush either the rentiers, or the countries themselves.

There are three other possible solutions. One is the US Treasury Secretary James Baker's proposal to lend more money to debtor countries to enable them to maintain essential trade and minimise forced *rescheduling*.

Another solution is for real interest rates to fall drastically. While this could alleviate the problem somewhat, it is unlikely to come to pass. This is because of the way in which unregulated international markets operate, and the gradual integration into those markets of domestic financial markets in the OECD countries, a trend which the authorities in them seem powerless to reverse. Commercial banks operate in unregulated markets by drawing in funds *whose supply is interest-elastic*, and directing them to borrowers whose demand for funds is relatively interest - inelastic. This enables banks to maximise their margins (until competition squeezes them out and forces banks to seek other relatively interest-inelastic borrowers). But it also tends to lever up interest rates in ostensibly free and competitive markets.

*Both the Baker solution and* lower interest rates are really ways of tinkering about with the problem, and offer solutions that at best will merely postpone the inevitable. A much more effective solution would be to devalue rentier claims by a short, sharp bout of inflation, preferably in the US

However, in present circumstances, this is even less likely than lower interest rates, because of the stranglehold that deregulated financial markets are increasingly coming to have on government monetary policy in the OECD countries. Any government which appears even to tolerate inflation, let alone tries to engineer it, is increasingly likely to find its finances paralysed by financial markets and their dread of the systematic devaluation of their claims.

*Thus the only practical con*clusion that can be drawn under present circumstances is of the need for a financial crash. Obviously, such a crash would have an adverse effect on most of those in the City now preparing with enthusiasm for the Brave New Financial World *after the "Big Bang." It would* also temporarily dislocate much economic activity and have a disastrous effect on many whose incomes and wealth are based on financial assets.

The Government policy, already over-dependent on the continuation of the present bull market through its reliance on asset sales to finance current expenditure, would also suffer a severe reverse in its attempts to promote services as an alternative to stagnating industrial activity. In addition, a financial crash would dramatic*ally sour the attractions of a* "share-owning democracy" and make untenable the notion of private pension schemes as alternatives to state provision.

Those drawing their main incomes directly from City activities are relatively few. There are many more in Britain and abroad who would stand to gain from a revival of trade, investment and production which are currently suffering progressive paralysis from the burden of rentier claims. The devaluation of those claims is a necessary, if insufficient, condition for the *quickening of* real economic activity and perhaps even the survival of the capitalist system.

*The author is senior economist at the Standard Chartered Bank.*

## A catalyst in Europe

*From Mr J. M. Gibb*

Sir,—Sir Michael Butler's article (February 5) on how Europe can fight the multinationals in the high technology field makes gratifying reading for a European official who has been trying to get this message across for the last 25 years.

There is little doubt that the industrial and economic colonisation of Europe is one of the long-term aims of American and Japanese firms, amply illustrated in Britain by the Westland and BL affairs. The infeudation of Europe to the high technology they have to offer thus appears as an end to a means that can only be accelerated, as Sir Michael points out, by the present dispersal of our R&D spending efforts and the fratricidal rivalry that sometimes exists between European firms and governments.

However, the picture is not all black. In my day-to-day contacts with industry in the field I note a growing enthusiasm *for transnational co-operation* and realisation that in the high technology field, as in others, strength lies in unity. It is perhaps not surprising that this is more and more the case in the small and medium-sized enterprise sector.

The European Commission has been active in encouraging co-operation for some years now, notably by its implementation of a 1983 Council decision to launch a transnational innovation plan. One of the ongoing programmes run in the context of the plan has resulted in the creation of a Europe-wide network of over 120 management advisory service organisations specialised in the high technology field. The primary function of the network is to promote the negotiation of transnational link-ups between European firms.

This is why I beg to differ when Sir Michael says that ways of thinking need to be changed in the European Commission. The problem does not lie in the Commission but rather in the limited resources with which it has to work. Precisely one such example is the innovation plan, which was allocated a budget of a mere Ecu 10m over three years to cover not only the creation of the network, but about two dozen other projects with comparable objectives. Such sums enable us to act as a catalyst with admittedly a very good ratio of results to investment, but so much more could be done if we were given the means. The problem is to persuade the member state governments to do so.

J. M. Gibb,
*EEC Directorate-General Information Market and Innovation, Luxembourg.*

# Letters to the Editor

## Trade deficit in manufacturing

*From Professor A P Thirlwall*

Sir,—Professor Maynard (February 10) continues to ignore the overall level of economic activity at which the trade deficit in manufactures exists. If the oil surplus and the deficit in manufactures balanced at full employment, then the cause for concern would be much less as the oil surplus dwindles. The fact of the matter is, however, that the autonomous growth of exports *has failed for at least* 30 years to match import penetration which has caused the growth of income and output to be depressed below trend, which in turn has been the main adjustment mechanism balancing the current account. The result has been the slowest growth rate in Europe, combined with growing unemployment. There have been numerous experiments since 1967 to alter the real terms of trade with no noticeable effect on the trend growth on output, yet still Maynard puts his faith in real exchange rate adjustment.

Suppose nothing much can be done about efficiency wages (i.e. wages relative to productivity), could he tell us what nominal exchange rate would be necessary to achieve trade balance and full employment by, say, 1990? One dollar to the pound; 50 cents to the pound, or what? I have a number of imaginative suggestions for reconciling the conflict, including a separate Ministry of Exports to pursue a long-term strategy of export promotion, combined with selective control of imports, particularly from surplus countries.

I, too, am capable of calm analysis (as all my work on the trade multiplier testifies, which I fear Prof Maynard does not understand or want to understand), but I must confess I do get "emotive" over the quite unnecessary sorry state of the real economy in the UK in pursuit of the doctrine of laissez-faire which, as Prince Bismarck once remarked, is a policy for the strong.

A. P. Thirwall
*University of Kent, Canterbury.*

*From Professor G. W. Maynard*

Sir,—A more careful re-reading of my article will surely convince Messrs Eatwell and Neuburger (February 12) that (i) no confusion between behavioural equations and identities exists — indeed, the argument that the manufacturing deficit *per se* does not matter is founded on that distinction; (ii) no claim was made that government policy had no responsibility whatsoever for the absolute fall in UK manufacturing production although the article implies that *some* fall was inevitable given the onset of oil production, rise in oil price and world recession; and (iii) no claim was made that real wages would have to fall *as North Sea oil revenues tailed* off. It did claim that UK efficiency real wages (i.e. *real wages relative to productivity*) would have to fall *as compared with* those in major competitor countries. Do not Eatwell and Neuburger agree?

A longer, more comprehensive, article would have rejected Eatwell and Neuburger's claim that the UK has suffered from a balance of payments *stranglehold since the end of* the war, pointing instead to a *domestic supply constraint*, namely, the apparent inability of the country to produce goods at a price and of a quality that would enable exports to grow sufficiently fast to offset rising imports at faster GDP growth. Although of course it would have agreed with Eatwell and Neuburger on the need for more investment in UK manufacturing industry, it would also have stressed that a prior change in UK industrial relations and management performance was required if such investment was not to be wasted. Undoubtedly such a change has been an important "spin-off" from the recession and has to be taken into account in the final reckoning.

Geoffrey Maynard.
*Chase Manhattan Bank, 3 Shortlands, Hammersmith, W6.*

## The burden of yet another agency

*From the chairman, Park Royal Enterprise Trust*

Sir,—Few will doubt the motivation and conviction of Lord Young in setting up his Enterprise and Deregulation Unit. But I fear that not for the first time the ideas and objectives of an innovatory Minister, crossing as these do, departmental demarcations, will be frustrated by the implacable resistance to change offered by his (and our) civil servants.

Will Dawkins (February 11) would encourage us to believe that only 18 months after it was set up and after only seven months since the publication of the Lifting the Burden White Paper, the unit is at last moving in the right direction.

Its director feels his job would be easier if the unit received more support from the small business community. The majority of our members are from that community. They are constantly offering support. Yet the first manifestation to ourselves of the unit's activity is the advice of the creation of yet another regulatory, monitoring agency for small businesses.

Readers of your Tuesday Small Business feature will be aware of the plethora of such bodies. They are called regional *enterprise units (REUs)*. Their main duties and activities include: "representing and promoting the interest of small firms . . sponsorship and funding of local enterprise agencies . . . *close liaison will* be maintained at the regional level between the unit and the small firms service . . ." This does not suggest a negation of your heading to the article referred to above: "Anti-bureaucracy unit exerts force."

On April 11, 1983 you published a letter from me which you headed "The burdens of small business." I urged that for governmental resources to be *stimulating and motivating* to the sector, one or two burdens could be lifted dramatically, cost-effectively and with little negative impact on Treasury income. One is particularly relevant in the run-up to next month's Budget and Lifting the Burden. I refer to the lifting of the VAT threshold.

Since 1983 the threshold has benefited merely from indexation. Raising the threshold from £19,500 per annum (£374 a week) to £52,000 per annum would be a bold, imaginative *step and would fire the* enthusiasm of the small businessman. It would certainly release entrepreneurial energies (much of which are now absorbed in the black economy) *for wealth creation.*

Ansel Harris.
*Waxlow Road, NW10.*

## Overtime and tax

*From Mr L. Littman*

Sir,—As an employer of a considerable agricultural work force, I am surprised to find that many of them are not interested in working overtime.

They reckon that if they do so, they pay 45 per cent of what they earn over to the Inland Revenue for tax or national insurance, and they do not think it worth doing.

It is quite extraordinary how current tax policy acts as a disincentive for people to work.

If the Chancellor is considering tax cuts which will reverse this effect, he could not do better than raise the tax threshold and reintroduce reduced tax bands.

L. T. S. Littman.
*Ashley Chase House, Abbotsbury, Weymouth, Dorset.*

# FINANCIAL TIMES

Wednesday February 19 1986



**Tom Burns** monitors a radio phone-in with Spain's leader in the hot seat

# González airs support for Nato

WHAT did a housewife from Madrid, a Valencia taxi driver, a stallholder in Murcia's main fruit market and the owners of the Spanish capital's best bistro have in common yesterday? They were among some 30 Spaniards who were able to discuss Nato with Prime Minister Felipe González in the country's most popular radio phone-in.

Mr González had an all-too-necessary field day in the gentle art of persuasion.

Polls are showing that a majority of Spaniards intend to vote against continued Nato membership when a referendum is staged on the issue on March 12. The Prime Minister took prime air time to convince them to switch their votes.

For an hour-and-a-half Mr González was in top form. He cajoled callers who were getting the pro-Nato message, he dropped hints about the dire consequences of withdrawal to those who were deaf to Atlantism, he patiently explained what the Berlin blockade was about to others who had never heard of it.

Some of the calls seemed as if they had been scripted by expensive political consultants. There was Mr Vicente Hernandez, a steelworker who said he always voted Communist but that he disagreed with the party call to register an anti-Nato vote.

"If I vote no I'll be voting with Tejero" (the former civil guard colonel who stormed parliament in the 1981 army coup attempt), said Mr Hernandez. Mr González launched into explaining how the Italian Communists supported Nato and how "isolationism" had always favoured in Spain "the dark forces of reaction."

Then there was Mrs Cristina de Torres, a housewife, who said she had always voted for Mr Manuel Fraga Iribarne's Conservative Alianza Popular, but that she would ignore Mr Fraga's recommendation to abstain. "I'll register my vote against you, Mr González, in the elections, but not on Nato," she said.

The Prime Minister beamed down the air waves and told Mrs de Torres that she was "an example of what a responsible voter should be."

What is most worrying for Mr González is that many of Mr Fraga's supporters, instead of abstaining, intend to use the referendum to deliver a protest vote against the Socialist Government.

The stallholder from Murcia was told that the option in the referendum was between staying in the alliance, or reverting to a bilateral defence treaty with the US which was first signed in 1953 by General Franco (who was not wanted in Nato, said Mr González, because he had backed Hitler). "Isn't it better to discuss our defence with our European partners than just with the Americans?" asked the Prime Minister.

A teacher from a Madrid dormitory town who complained about the arms race and declared himself a neutralist was firmly told that neutrality was not on for Spain and that neutral Sweden spent twice as much as Spain did on defence.

The Valencia taxi driver said the generals in Turkey and the colonels in Greece demonstrated that Nato did not defend democracy. Mr González countered with the Prague spring and the Berlin blockade, and said Turkey was moving towards democracy whereas no Warsaw pact country had been allowed to do so.

An executive at a high-tech company asked about the consequences of withdrawal. Mr González talked fast and fluently about "a crisis of confidence in the international community" should there be a majority of "no" votes.

The Prime Minister explained that 75 per cent of Spain's foreign trade and of investment in Spain originated in Nato member-countries. A "no" vote, the Prime Minister warned, would mean "a reduction in our pace of modernisation and development."

"Surely Spain won't leave Nato. Is there any point in the referendum," queried Mr Lucio Blazquez, owner of "Casa Lucio", a favoured haunt of bistro lovers, King Juan Carlos among them. "The vote is totally transcendental," said the Prime Minister. "If there is a majority against the alliance I will, as a democrat, denounce the Treaty of Washington."

# Spanish move opens way for trade deal

BY QUENTIN PEEL IN LUXEMBOURG

SPAIN YESTERDAY dropped its demand for immediate, duty-free access for industrial exports to the six member states of the European Free Trade Association (Efta), clearing the way for a package deal on EEC-Efta trade relations.

Community trade ministers also agreed yesterday that tariffs on trade on both directions between Spain and the Efta countries should be dismantled gradually over up to seven years, following Spanish and Portuguese membership of the EEC from January 1.

The Spanish concession – Madrid had sought immediate duty-free access for its own exports, as enjoyed by the rest of the EEC – removed the major stumbling block to a new trade agreement between the two groups, supposed to be finalised by March 1.

The only outstanding matter now concerns Portuguese textile exports to its former Efta partners, Austria, Finland, Iceland, Norway, Sweden and Switzerland.

Portugal agreed yesterday to a system of "administrative co-operation" – in effect, the exchange of statistics – with the Efta countries to monitor its textile sales. But Mr Tires de Miranda, the Portuguese Foreign Minister, would not agree to a further system of consultation if textile sales threatened to disrupt any particular Efta market.

The new deal between the two trading blocs is needed to cope with the consequences of Spanish and Portuguese membership of the EEC and incorporates the new member states into what is already the world's largest free trade area.

Officials hope the arrangements can now be finalised quickly and put into effect from March 1, even if all the legal details have not been concluded.

Four Efta countries – all except Iceland and Switzerland – have problems with Portuguese textile imports and want a surveillance system for such products.

On agricultural products, the package would extend all current concessions enjoyed by the EEC members in Efta markets to Spain and Portugal. In return, the Community is offering some specific concessions to individual Efta members.

The most controversial concession yesterday was an increase in the quota for Austrian mountain cattle exports to the Community from 38,000 head to 42,600, at a time when the EEC already has a big beef surplus. France and Ireland opposed the move but were outvoted.

The UK also registered its opposition to granting Sweden a 20,000-tonne duty-free quota for Baltic herring, under the fisheries aspect of the agreement.

Nancy Dunne in Washington writes: The entry of Spain and Portugal into the EEC has set the US and the Community once again on a collision course over agricultural trade.

Since December, when the Community published a provisional schedule of duties for the two entrants, US trade officials have been alarmed about a threat to their soyabean and maize exports. They say proposed quotas on soyabeans for Portugal and tariffs on maize going to Spain could cost the US $1bn in trade.

The Community would like to put the new limits into effect on March 1, according to an official at the US Trade Representative's Office, and although the US response has not yet been decided, retaliation is likely.

He said that Portugal, which currently has no quotas or tariffs, will, in accordance with its accession treaty, impose soyabean quotas, possibly soyabean meal quotas and an internal quota on soyabean oil.

Spain already has a soyabean oil consumption quota but is scheduled to raise its tariff on maize. The US challenged the consumption quota under the General Agreement on Tariffs and Trade five years ago and lost the case.

However, US officials say membership in a customs union, according to Gatt rules, should not allow any new members to apply more restrictive quotas than before.

In past accessions, the EEC went to Gatt and negotiated new agreements with the suppliers. In this case, the Community is going to act before negotiating, making the new limits illegal in the view of the US.

The US soyabean association is urging vigorous Administration retaliation if the quotas and tariffs go ahead.

# Garbage Kids go beyond the pail

**By Terry Dodsworth, in New York**

MEET the Garbage Pail Kids – Sara Slime, Brutal Brad, Schizo Fran, Rob Slob and a host of other perfectly repulsive characters. Loathsome, gruesome, "gross," to use the vernacular of America's pampered youth, these cartoon characters, printed on cigarette packet-size cards, are the object of the latest fad sweeping through US schoolrooms.

It is difficult to describe how repugnant the Garbage Pail Kids are. Drawn by a master of the grotesque, they clearly take their inspiration from the deformed and immensely successful Cabbage Patch Kids.

The Garbage Pail Kids are all as ugly as the Cabbage Patch ones – indeed, most of them are more so. Leaky Lindsay oozes protoplasm from her nostrils, Double Heather has two heads, Dirty Harry is wallowing in a mud hole, Dead Fred is being splattered with machine gun bullets, and Jenny Jelly is in an advanced stage of meltdown.

The backs of the cards carry the sort of messages that most parents can hardly find attractive. The Sumo Sid card tells us that it is awarded "for evasion and cunning above and beyond the call of duty," while Mad Donna "allows you full legal rights to gorge yourself with burgers, pizza, hot-dogs, tacos, sodas, chips, cookies, gum and any other junk food you can get your hands on." The Patty Putty card is given for "possessing the attributes of total spazdom. You laugh with mouthfuls of cottage cheese and spray everyone within 10 feet ..." and so on ad nauseam.

Psychologists, as always in the US, are bounding forward with explanations of the cult. One theory is that children are so exposed to random violence and macabre events these days that they appreciate grotesque personalities over which they can exercise some control. Another is that the enjoyment approximates to the experience of going on a roller-coaster or watching a horror movie – a feeling of revulsion which produces excitement and eventually releases tension.

Children themselves predictably tend to have simpler responses. "We like the cards because it shows that we're sophisticated," said one 11-year-old boy interviewed on television. "Just because we're kids it doesn't mean we want to be cute all the time."

Parents and schoolteachers hardly know how to respond. Some schools have now banned the cards, partly because of their nastiness, but more specifically because card trading has become a disruptive factor in the schoolroom. Most adults are probably hoping that the cult will just go away, although if the Cabbage Patch Kids are anything to go by, that could take quite a time.

Meanwhile, Topps Chewing Gum, the Long Island, New York company which makes the cards, cannot keep up with demand at the moment. The popularity of the cards is spreading across the country, and they appear to be striking a chord with children everywhere they are launched.

Topps has no need for psychologists to tell it why the cards are a success. "We're reflecting the times," it says. "Kids have a great sense of humour."

Coleco results, Page 19

## THE LEX COLUMN

# Public sector numbers game

City economists are having a miserable month. The January banking figures left their fastidiously prepared forecasts in tatters and yesterday they had no more luck with the January PSBR numbers. A net repayment of £4.5bn was roughly double what the market had been looking for.

No amount of jiggering with the figures can make the PSBR look anything but excellent. The EEC rebate boosted revenues by no more than £450m, while if a higher than usual proportion of corporation tax was paid in January the effect cannot have been spectacular.

Not much corporation tax is ever paid in February. Equally, there is no reason to suppose that expenditure was artificially depressed in January.

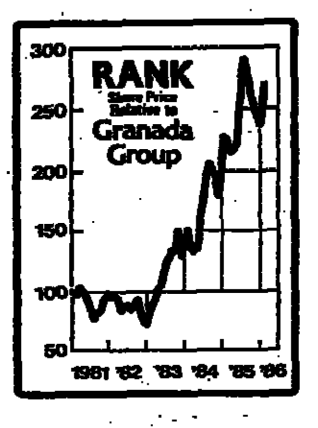
The figure may have been surprisingly low but the catch-up, if it comes, will scarcely put the PSBR back in line with the market's earlier forecasts. Companies, it seems, are simply paying more tax than anyone had expected.

Yesterday afternoon those forecasts were travelling south at a rate of several hundred million pounds an hour. By the end of the day some brokers were suggesting that the Government will undershoot not just the autumn forecast of £8bn but even the 1985 Budget estimate of £7.1bn. With two months still to go, that may be a trifle optimistic.

March is a notoriously erratic month and PRT payments will be influenced by the weakness of oil prices at the end of last year. But, so long as the February figure is acceptable when it appears on Budget day, the Chancellor may be able to combine a measure of fiscal laxity with a plausible forecast of the 1986/7 PSBR.

The financial markets were quick to draw that conclusion from yesterday's numbers. The equity market bounded ahead and the discount houses began to contemplate the possibility of a base rate cut even ahead of the Budget. Gilt-edged were even more cheery. With a cut in the US discount rate still just in view, gains extended to over a point at the long end of the market.

## Rank/Granada




Everybody who can count has seen for months that the Rank Organisation would shortly try to exploit the rehabilitation of its paper. But only cynics would have predicted that Rank's underwriting machinery would be set rolling a mere 24 hours after the presses had finished churning out the glossy annual report. Rank's £740m bid for Granada is neither the largest nor even the most audacious of the week, but it flatters the market's taste for a paper-chase. In the present atmosphere, even a well-defended target is apparently worth 10 per cent over the latest offer, and bidders can attract a premium just for trying.

The commercial arguments advanced by Rank are not completely implausible; the holiday marketing potential of Granada's television rental operation may not be great, but is to date an untapped resource. And it is conceivable that ownership of Granada's television production companies would enable the merged group to make profitable use of marginal time in Pinewood Studios. This sort of vertical integration falls a long way short of justifying the deal in itself, however, while purchase of the whole business looks a rather elephantine way of buying access to a mailing list.

From Rank's viewpoint, dilution apart, the offer surely makes sense of a financial kind. Granada's rental operation is approaching one of the periods when a maturing fleet of video recorders will be throwing off more cash than it absorbs; the offer values Granada at just over five times the gross cash flow shown in its latest accounts, setting the proferred historic earnings multiple of 23 in a less generous light. Rank must also be focusing on a substantial gap between the historic cost of Granada's trading properties and their market worth, and on a television programme library that is currently credited with no book value at all.

If these figures show why Granada would be attractive, they also suggest that it could be sold rather more dearly than the present offer. What they neglect, and the 74p rise in Granada's share price seems to ignore, is the probability that any unfriendly offer for Granada will run up against the veto of the Independent Broadcasting Authority. The stopping of Carlton's bid for Thames showed the IBA primed to refuse even the amicable transfer of broadcasting franchises; whatever one may think of that, and it does seem like regulation run to seed, the IBA looks set to function as Granada's poisoned pellet. In that case, Rank may have to think again, and the Granada price could come down with a bump.

## Bond Corporation

With characteristic aplomb, Mr Alan Bond yesterday pushed out the results of Bond Corporation a day before his equally colourful rival, Mr John Elliott, addresses the City faithful on the earnings performance of Elders IXL. Mr Bond has set a fair pace. The results for the half year to December are, true to form, confused by dealing profits in the corporate division and sundry financial items. But, even allowing for all that, there was nothing the matter with an increase in reported earnings from A$9.3m to A$41.7m.

Bond Corporation continued to be very highly geared – the interest charge is covered less than twice – but for the first time it can boast a solid portfolio of dependable and cash generative assets. Castlemaine Tooheys is performing well up to expectations and, but for the weakness in the oil price, Mr Bond would now be looking forward to substantial cash flows from the Harriett field. The share price has roughly doubled in the past six months but even in the London market there are bulls on every street corner. Airships and the America's Cup are, it seems, in the price for nothing. Over to you, Mr Elliott.

# Granada says no to Rank

**Continued from Page 1**

gan Grenfell, yesterday offered five of its own shares for every nine of Granada's, which is being advised by S. G. Warburg. Rank's shares rose 7p to 547p yesterday – a move seen by analysts as indicating market approval of the deal – to value the offer at nearly 304p per share.

Granada's shares leapt 74p to 310p however, just over 6p above the value of the Rank offer. Rank is also offering an underwritten cash alternative worth 275p for each Granada share.

Full acceptance of the Rank bid would lead to the issue of 139.5m new shares, equivalent to 41 per cent of Rank's enlarged equity.

Rank pointed to three main areas where the two companies could combine their buying and marketing operations to achieve economies and make better use of their assets.

● Film and TV services. Apart from TV programme production, Granada has Britain's second largest TV and video rental and retail chain with 650 outlets. It also has seven cinemas, though this is a small operation compared with Rank's chain of 77 Odeons

● Social clubs. Granada has 47 bingo halls while Rank has 59 Top Rank clubs.

● Motorway service areas. Granada has 13, Rank six.

Rank also believes that it could promote its holiday businesses – Butlins, OCL and Blue Sky – through Granada's retail outlets.

# Elders will buy Wolff's financial services trade

BY ANDREW GOWERS IN LONDON

ELDERS Finance Group, the merchant banking subsidiary of the Elders IXL group of Australia, has agreed to buy the financial services and energy business of Rudolf Wolff, the London-based commodities and futures trader, from Noranda, the financially stretched Canadian mining company.

Under a hastily constructed deal announced yesterday and expected to be signed today, Elders will pay Noranda £30m ($42.9m), which represents the net asset value of Wolff's financial services business, plus a premium based on the company's profits over the next two years.

Wolff's metals and commodities trading business, however, will remain with Noranda. The move to split up Wolff comes despite fierce opposition from some of the company's senior managers. The disagreement is believed to have been an important factor behind the resignation last week of Mr Bruce Leeming, Wolff's former managing director.

Rudolf Wolff, a founder member of the London Metal Exchange, has diversified recently into the fast growing financial and energy futures markets, while its traditional businesses in metals and agricultural commodities have suffered in the decline in trading volumes in those markets. Two thirds of its net revenues now come from the financial side, which also employs about 300 of its worldwide staff of 450.

In 1984, the group made net profit of £2.5m on commission income of £16m.

For Elders – one of Australia's largest companies, which last year launched a controversial bid for Allied Lyons, the UK food and drink conglomerate – the deal represents another step in an aggressive international expansion. Elders Finance Group has several offices in Australasia dealing in currencies and other financial instruments, including futures. The company said yesterday that acquiring the Wolff business would help to strengthen its position in Europe and North America.

Noranda, which is trying to reduce its debts by C$1bn (US$719m) by the middle of this year, emphasised that it would continue to stand by its metals trading subsidiary. That has been further affected by the continuing international tin crisis, in which it has a potential liability of £5m. Noranda will continue to support the metals trader with the full guarantee of £36m it had put behind Wolff, while realising cash from the sale.

Noranda also disclosed that it was talking to Elders about the possibility of the group's taking an interest in Noranda's Hunter oil and gas development in Canada.

# Singer spin-off

**Continued from Page 1**

Mr Flavin added that recent measures had strengthened the sewing and furniture operations and prepared them to function as a stand-alone company. Since 1980 Singer has restructured its sewing machine manufacturing facilities, centralising production in cost-efficient areas of Asia, Latin America and Europe while converting the marketing operation into an indirect system of distributors, dealers and joint ventures. As part of this programme, Singer last year sold its sewing and consumer products marketing operations in 11 European countries to European Home Products.

"This comprehensive programme, involving the restructuring of the manufacturing facilities, the enhancement of the distribution network and the development of new products, has maintained Singer's worldwide sewing leadership, while reducing costs and increasing productivity," Mr Flavin said.

The planned spin-off coupled with the sale of the controls division, would leave Singer with four major business divisions, the fast growing aerospace electronics operations, motor products, which manufactures power tools and floor care equipment for Sears, the meter division, a leading supplier of gas meters to utilities, and the education division, which operates job agencies under contract to the US Labour Department.

## World Weather

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Readings at mid-day yesterday. C-Cloudy D-Drizzle F-Fair H-Hail Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# South African riot squads move in

**Continued from Page 1**

faced the threat of destruction and the forcible eviction of its inhabitants. This was the fate which befell other city townships like Sophiatown, razed in the early 1960s and replaced by a white suburb called Triomf.

During these 23 years, until reprieve in May 1979, no improvements to housing or facilities were allowed, houses were abolished to make way for single-sex hostels and a close-knit community deteriorated into an overcrowded slum. Officially, 78,000 people live in the small houses, backyard shanties and under makeshift covers of sacking cardboard and corrugated iron. According to priests and residents, however, at least 150,000 live there. Most are poor, and unemployed, and crime and alcoholism are rife.

The mayor has led the fight for the survival of Alexandra. Since 1979, new flats and houses have been built and upgraded facilities promised. But Mr Buti faces the opposition of radicals who call him a sellout out for agreeing to work within the 1982 Black Local Councils Act and local anger that the new houses are being let at high rents, recently reduced but unaffordable to those whose old houses were bulldozed to make way for them.

Now Mr Buti and other councillors, policemen and shopkeepers are the target of the inwardly directed anger of a community with bitter memories and riven now by political rivalries.

But it is also a working community of many churches and thousands of people who set off early every morning to clean the homes in nearby white suburbs and factories or provide the services which keep the city functioning. A churchman who spent Saturday night picking pellets and shot from the skin of wounded black youths said that not one of the youths he had treated was actually from Alexandra but had come from other townships expressly for the funerals.

Mrs Suzman, who visited the township on Monday described it as a "tinder box."

# Fermenta profits fail to impress

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

FERMENTA'S share price fell precipitously yesterday in hectic trading on the Stockholm stock market, wiping more than a fifth off the company's market capitalisation.

The price of the group's B-restricted shares plunged by SKr 57, or 22 per cent, to SKr 189 a share, while the B-free shares, which can be owned by foreign investors, dropped SKr 48 a share to SKr 201.

Fermenta alone accounted for 47.5 per cent of total turnover on the Swedish stock market yesterday as trading was resumed after the halt requested by the company on Monday.

Fermenta, the fast growing biotechnology and chemicals group, was plunged into a crisis of confidence late last week when it was disclosed that Mr Refaat El-Sayed, the company's majority shareholder and chief executive, had misled investors about his academic qualifications in microbiology.

His decision on Monday to give up the post of chief executive and become full-time deputy chairman combined with the release of preliminary results for 1985 showing a quadrupling of profits, failed to reassure investors. "It is very hard to say if the bottom has been reached yet," said one broker in Stockholm.

More than 1m Fermenta shares changed hands with many small investors and institutions selling out.

"I can understand who is selling. I cannot understand who is buying," said another broker. "There are still a lot of questions to be explained and understood, not least whether Volvo will go ahead with the deal."

The crisis over Fermenta has come at a sensitive moment, when the company is trying to push through a series of deals with Volvo to gain control of Sonesson and a substantial stake in Pharmacia, Sweden's second-largest pharmaceuticals company.

Volvo said on Monday that "some of the essential pre-conditions" for the deal had changed, although it would pursue negotiations in "a positive spirit." It is clear that the sharp fall in Fermenta's share price yesterday might threaten the financial framework of the deal.

In its original SKr 3.23bn ($437m) bid last month, Fermenta offered Sonesson shareholders the alternatives of cash, or a package of shares and debentures with share options.

Final details of the share alternative have still not been published, but Fermenta had been counting on a majority of Sonesson shareholders' accepting the shares alternative, which Volvo also said in January it would accept.

Fermenta's financial projections for the group in the wake of the deals with Volvo were based on a share price of SKr 285. When the "agreement in principle" with Volvo was announced, Mr El-Sayed was to have sold shares from his own holding to Volvo at SKr 220 a share to bring the car group's Fermenta stake to more than 20 per cent. At the time, that price represented a considerable discount.

The Fermenta share price has developed spectacularly since late October, climbing from around SKr 75 to a peak of SKr 325 in January, the day after the announcement of the deal with Volvo. From that peak, the price has plunged as a result of the recent turmoil by almost 40 per cent.

Foreign investors have been strong net sellers of Fermenta shares for most of the past six months and, according to the latest figures from the Swedish central bank, there was again a net flowback of Fermenta shares to Sweden of SKr 71.9m in January.

# Saint Gobain earnings boost to spur product diversification

BY DAVID HOUSEGO IN PARIS

SAINT GOBAIN, the nationalised French glass, pipes and engineering group, expects a significant growth in profits this year after announcing a 48 per cent growth in net consolidated earnings for 1985.

The group, which is likely to be privatised after the March parliamentary elections, reported profits of FFr 750m ($104.6m) last year (excluding minority interests) on turnover of FFr 66.7bn – up 6 per cent on the previous year.

The improved outlook for the group reflects near completion of nationalisation measures, under which Saint Gobain has shed about 25 per cent of its labour force during the past five years. Its French operations, accounting for half its turnover, showed a trading profit last year for the first time for many years.

Mr Jean-Louis Beffa, who has just taken over as chairman from Mr Roger Fauroux, said he planned to launch Saint Gobain into new products and markets beyond the construction and environment sectors. He gave examples of developing glass fibre insulation materials for filtering, and refractory products for the aviation and oil-exploration industries.

However, it seems clear that Mr Beffa is awaiting privatisation before developing a long-term strategy for a group that in recent years has seen attempts at diversification come unstuck.

Saint Gobain was forced to pull out of the computer industry by the French Government after 1981 and had to sell its indirect 34 per cent stake in Olivetti, the Italian office-equipment manufacturer.

It subsequently sought to enlarge its interests in the services sector by building up a 20 per cent holding in Compagnie Générale des Eaux, the profitable water distribution company. But the board of the Compagnie Générale blocked moves towards closer co-operation because of fears of "creeping" nationalisation by Saint Gobain.

Mr Beffa said he regarded Saint Gobain's holding in Compagnie Générale as an "important asset," but confirmed that talks were stalled.

Mr Beffa declined to discuss privatisation. But senior company officials said that, given the group's broad international interests, it made sense for foreign shareholders to take a sizable minority interest.

Total profits for the group (including minority interests) rose 29 per cent to FFr 1.5bn after exceptional restructuring costs of FFr 1.2bn. Of those, FFr 800m were incurred in France in the paper and insulation sectors. Group operating profits rose 19 per cent last year

# Dome debt talks reopen as oil price declines

By Bernard Simon in Toronto

DOME Petroleum, the Calgary energy producer, has reopened talks with its creditors on the terms of its C$6bn (US$4.3bn) debt in the wake of falling oil prices.

Dome's chairman, Mr Howard Macdonald, met some of the company's 56 creditors in Toronto yesterday to outline the impact on the company's finances of lower oil prices and a recent rise in Canadian interest rates.

No details of the discussions were available, but a senior official of one Canadian bank said: "The outlook for the company needs to be reconsidered. We are reviewing our relationships with them along with all other oil and gas producers."

He said it was unlikely that any definite decisions were taken at yesterday's meetings. Among Dome's options is to cut planned capital spending and to renegotiate the debt rescheduling agreement signed a year ago.

Dome, Canada's biggest corporate debtor, came close to collapse in 1982 after the sharp rise in interest rates and lower energy prices brought a rash of acquisitions to an abrupt end. The Canadian Government and four Canadian banks agreed a rescue plan to avert a serious threat to the stability of several large banks.

Dome lost C$1.7bn between 1982 and 1984. Its prospects, however, improved last year through tighter control of its operations, asset disposals, rising cash reserves, and the debt rescheduling agreement signed last February.

The company posted a C$19m profit in the three months to September 30 on revenues of C$660m. Cash reserves totalled C$371m at the end of the third quarter, while long-term debt stood at slightly below C$6bn.

Dome announced this week that it had raised a further C$147.4m by selling 10m shares in Dome Mines, a leading Canadian gold producer.

# Coleco back in profit

By Our Financial Staff

COLECO INDUSTRIES, the US toys group that makes the Cabbage Patch Kids, yesterday reported fourth-quarter net profits of $4.1m, or 23 cents a share, after a $5m charge in settlement of lawsuits.

The result compares with a loss of $93.2m a year earlier, when the Connecticut-based concern suffered through a $118.6m loss on the discontinued Adam home computer line.

For the year, Coleco had a net profit of $62.9m, or $3.6 a share, against a loss in 1984 of $78.8m, or $4.95.

Sales for the year edged up from $774.9m to $776m, but fell in the fourth quarter from $240.9m to $152m because of a drop in sales of Cabbage Patch products. For the year, sales in the Cabbage Patch line rose from $540m to $600m.

## Abercom turnround after overhaul

By Our Financial Staff

ABERCOM, the South African engineering group, has returned to the black in the half-year to December after an extensive overhaul of its businesses.

Pre-tax profits of R3.55m ($1.24m) were achieved, compared with losses last time of R11.55m. A loss of R300,000 taken on the sale of its Techniform unit is regarded by the board as the last significant charge on discontinued operations in the recent round of disposals.

# MCA to pay $387m in TV deal

BY OUR FINANCIAL STAFF

MCA, the US films and entertainment group, is diversifying into TV station ownership by agreeing to acquire WOR-TV Channel 9 in New Jersey from a subsidiary of GenCorp for about $387m in cash.

MCA is a leading producer of TV programmes and films and is also involved in records, music and other publishing and mail order. However, it has recently been branching out and last month agreed to pay C$106m (US$76.2m) for a substantial stake in Cineplex Odeon of Toronto, North America's largest theatre operator.

WOR-TV, based in Secaucus, was slated for possible sale late last year, as part of restructuring moves by GenCorp, formerly General Tire & Rubber. GenCorp had retained Kidder Peabody to handle the bidding process.

Mr Sid Sheinberg, MCA's president, said yesterday: "WOR-TV is the only VHF station in the New Jersey-New York metropolitan area that has been available for acquisition on a stand-alone basis in recent memory. It is extremely unlikely that any similar opportunity will recur in the foreseeable future."

He said the station's ratings were "on an upswing" and MCA expected its performance to continue to improve.

MCA's purchase agreement, with GenCorp's subsidiary RKO General, allows it to acquire the station in partnership with others.

# Asea in rail talks

BY OUR STOCKHOLM STAFF

ASEA, the Swedish electrical engineering and electronics group, has concluded technical and commercial negotiations which are expected to lead to a contract worth SKr 2.5bn ($337m) from the city of Istanbul to supply a turnkey mass transit system for delivery in 1992.

The deal, which is subject to agreement on a financing package and is one of the group's biggest orders, was described as "an international breakthrough" by Mr Arne Bennborn, Asea's executive vice president.

The financing negotiations were expected to be concluded within a month, Mr Bennborn added, and involve Turkish authorities, the Swedish Export Credit Board and a number of international banks.

At the early stages of negotiation last year, Asea had eliminated competitors which included Siemens and MAN of West Germany as well as a consortium of Italian and Austrian manufacturers, he said.

The order involves a "light rail transit" (LRT) system – a cross between a conventional trolley and railway – newly-developed by Asea Traction for the Swedish city of Gothenburg. This is the first export contract for the LRT system.

Asea is to supply a 23 km electrical and rail network, 21 stations and some 105 light rail vehicles (which are to be produced in Sweden) for use in central Istanbul.

Its consortium partner, the Turkish Yapi Merkezi civil engineering company, will be responsible for the local work (including a 1 km underground tunnel), valued at about 20 per cent of the total contract sum.

A leading subcontractor is the L. M. Ericsson telecommunications and electronics group of Sweden, which is to provide signalling.

# US health care group lifts year's result

By Our Financial Staff

BAXTER TRAVENOL Laboratories, the US health care group which last year agreed to acquire American Hospital Supply for $3.8bn, boosted 1985 net earnings to $137m, or 85 cents a share, compared with $29m, or 21 cents in 1984.

The latest figures include the earnings of AHS from November 25 and also reflect a $29m provision for expected asset and staff changes associated with the acquisition. The 1984 results were hit by a $116m restructuring charge in the fourth quarter.

Net income for the fourth quarter was $7m, compared with a loss of $94m a year earlier. Sales, distorted by the takeover, jumped from $460m to $839m, taking the 1985 total to $2.35bn against $1.8bn.

# Deere predicts gloom for farming sector

BY TERRY DODSWORTH IN NEW YORK

DEERE, the largest US agricultural equipment manufacturer, gave a grim forecast of prospects in the farming sector yesterday, as it announced a further large loss in the first quarter and predicted severe pressure on its results for the rest of the year.

The net loss for the three months to January amounted to $34.4m against a deficit of $28.2m in the same period of last year, while sales slipped to $701m from $763m.

This year's results were unfavourably affected by a fall in the benefits deriving from inventory reductions under the last-in, first-out (Lifo) method of accounting, which this year came to $7.5m after tax against $9m in 1985. In addition, income from the retail finance and leasing subsidiary dropped to $13.7m from $20.3m.

The company said that operating results continued to reflect the effects of the extremely low level of retail demand for farm equipment in North America, as well as attempts to reduce inventories by cutting factory shipments of equipment to below the level of retail sales.

"As a result, farm equipment production and sales volumes were extremely low and retail sales incentives costs remained very high," it added.

Mr Robert Hanson, chairman, said the company's results would continue to be depressed this year by efforts to reduce stocks and the lowering of production schedules. By 1987, however, he believed that the programme should enable the company to step up its rate of production.

He added that new farm legislation, lower inflation and interest rates and the decline in the value of the US dollar, along with higher values for used machinery, seemed to be improving the psychology in the farm community. "We believe these developments will lead to some improvement, though gradual, in both the agricultural economy and demand for our products," he said.

# IBM steps up pressure on schools

By Louise Kehoe in San Francisco

IBM HAS stepped up its campaign for schools to buy personal computers. Yesterday it announced 35 educational software programs, a move which is seen as a challenge to Apple Computer's dominance of the US educational computer market.

The new programs range from basic mathematics, language, arts and reading comprehension for elementary and middle-school pupils to science and reasoning aimed at secondary schools. Program materials are linked to school textbooks.

Twenty-five of the programs cover basic skills and offer teachers a cohesive set of classroom tools, IBM says. These basic skills programs were developed for IBM by Wicat Systems, a company specialising in educational software.

Apple Computer does not offer educational software, although the computer manufacturer provides teachers with comprehensive lists of school programs and assembles third-party software for schools.



FRANK B. HALL SURVEYS PROBLEMS ON EVE OF DECISIVE MEETING

# Broker has hallmark of bid target

BY WILLIAM HALL IN NEW YORK

THREE YEARS ago, Wall Street was buzzing with rumours that Frank B. Hall, the world's third largest insurance broker, was about to be taken over by a financial empire builder such as Sears Roebuck or American Express. The takeover never materialised, but the bid rumours persist as Wall Street watches the mounting financial troubles of one of the world's best-known insurance brokers.

As banks, securities brokers and insurance companies jostle for position in a rapidly changing financial services industry, Frank B. Hall stands out as a prime takeover candidate. It operates in over 50 countries through a network of around 300 offices and would make an ideal target for a company wanting to enter the insurance brokerage business.

This time round, the name of Mr Saul Steinberg, the Wall Street corporate raider, is being mentioned as the most likely new owner.

Mr Steinberg, aged 46, already owns a substantial chunk of Frank B Hall's equity and, like most of Hall's other shareholders, including a hapless bunch of European institutions that took up a private placement of Hall shares last summer, is far from happy at the group's recent performance. However, at a special meeting on Friday, shareholders will be asked to approve a substantial capital increase.

At a time when insurance brokers are profiting handsomely from the surge in brokerage commissions caused by the upturn in the insurance cycle, Frank B. Hall shares have been reaching new lows. Over the last month they have fallen by a third and at the end of last week were standing at $18.

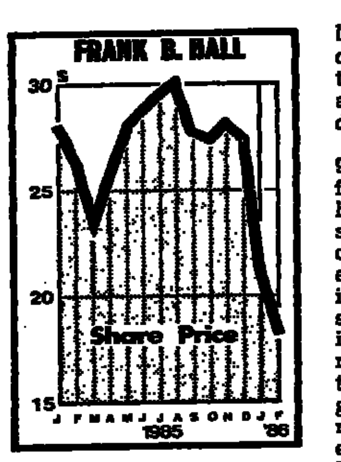
That compares with the $45-a-share bid price rumoured three years ago, and with the $26¾ a share paid by the European institutions for a 8 per cent-plus stake. Since last summer, the Dow Jones industrial average has risen by a quarter and the shares of rival insurance brokers, such as Marsh & McLennan, have risen by more than a third.

Some months ago Shearson Lehman Brothers, the big brokerage firm owned by American Express, added Hall shares to its widely followed list of 10 stocks of "uncommon value" for 1986. This is beginning to look like one of the worst stock-market tips of the year. Hall's recent share price performance has been a disaster.

Although its core insurance brokerage operations, which include Leslie & Godwin in the UK, continue to operate profitably, the benefit of those activities is overshadowed by other difficulties, which appear to be far worse than the investment community first imagined.

The two most pressing issues for Hall are Jartran, a truck rental company, and Union Indemnity, an insurance subsidiary that was declared insolvent by the New York insurance regulators after it was found to owe $138m. Hall bought Jartan in 1981 to thwart a takeover approach by Ryder Systems, another truck rental company. For most of the time it has been in the Frank B. Hall stable, Jartran has been operating under Chapter 11 of the US bankruptcy code. Hall is trying to sell Jartran, but so far has been unsuccessful.

The financial cost to Hall of the Union Indemnity insolvency is still far from clear. Hall has asserted that its exposure is limited to its $14.5m investment in the company but that is being challenged. Hall is being sued in West Virginia and Connecticut in an attempt to force the company to honour all its Union Indemnity obligations. The New York Superintendent of Insurance, the liquidator of Union Indemnity, is also considering a legal action to have Hall found liable for Union Indemnity's obligations.




Many analysts believe it will be very difficult for Hall to walk away from the collapse of Union Indemnity and limit its losses to $14.5m. Hall reported a $95m third-quarter loss, mainly because of the need to take heavy write-offs on its Jartran and Union Indemnity exposure.

Mr Tom Rosencrants, head of research at Conning, a US broker specialising in insurance shares, estimates that the company will report a final-quarter loss of between $20m and $50m, which means that full-year losses might exceed $150m.

At the end of 1984, Frank B. Hall had shareholders' funds of $123.4m, goodwill of $77.3m and long-term debt of $154.6m. The company has passed its dividend and raised extra capital from its bankers and Mr Steinberg. However it clearly needs another substantial capital injection, which explains the urgency of the meeting tomorrow.

Normally, Hall might be expected to wait until its annual meeting in May to ask shareholders permission for a capital increase. But time is running out. Hall has indicated that it wants Mr Steinberg's Reliance insurance group to invest another $75m to "strengthen its capital base, which has been adversely affected by write-offs relating to its discontinued operations."

Mr Steinberg bought his original 9.2 per cent stake in the company for $31 a share in June 1983, and has injected further capital. The result is that his effective stake in the company, if various warrants are exercised, is around 30 per cent. He is now poised to tighten his grip in a situation where he is already playing an important behind-the-scenes role. Most insurance analysts say that he was instrumental in last August's dismissal of Mr Albert J. Tahmoush, the chairman and chief executive of Frank B. Hall since 1977. Mr Tahmoush, incidentally, is now suing Hall for $12m allegedly owed to him under a long-term employment contract.

Although the Reliance group has only three directors on Hall's 15-strong board, Hall's bankers – Bank of New York, Continental Illinois, Manufacturers Hanover Trust, National Westminster Bank USA and Westpac Banking Corporation – obviously feel that Hall's survival depends very much on the whim of Mr Steinberg. Hall's bankers have indicated that the group will be in default on the $125m of new loans it negotiated last month, if the number of Reliance directors on the Hall board drops below three or Reliance's stake in Hall slips below 25 per cent. That clause gives Mr Steinberg tremendous bargaining power over Hall's board.

In return for pumping in yet more capital, Mr Steinberg might end up owning over 50 per cent of Hall. On the other hand, he might decide to force the broker into the arms of some wealthy financial conglomerate anxious to enter the insurance broking business. The rest of Hall's shareholders can only hope that is what Mr Steinberg has in mind.

# INTERNATIONAL COMPANIES and FINANCE



## Volvo confident of victory in takeover battle for Cardo

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

VOLVO is close to winning its three-month battle to take over Cardo, the Swedish investment and industrial holding company with interests in sugar, seeds and plant breeding.

Volvo, which is already Sweden's largest industrial concern, said yesterday that together with its own holdings it had now received offers totalling more than 88 per cent of Cardo equity.

It is again extending the offer to Cardo shareholders by a week to draw in additional shares to take it over the vital 90 per cent threshold, after which it can request a compulsory purchase of outstanding shares.

It has now been forced to extend the bid three times and has twice improved the conditions of the offer in the face of continuing opposition to the bid from the Cardo board.

It is bidding SKr 3.5bn ($473m) for the outstanding 77.1 per cent of Cardo it does not already own and the 17.1 per cent of Hilleshog, the plant breeding and seeds company, not already owned by Cardo.

When Volvo last extended the offer a week ago, it said there would be no further changes to the terms of the bid and it would withdraw its bid if it failed to reach 90 per cent.

At the same time, it is increasing the cash portion of the bid by SKr 3 to SKr 178 a share as an "interest payment" to compensate Cardo shareholders for the delay in closing the deal. It is offering SKr 1 compensation to Hilleshog shareholders, increasing the worth of its bid to SKr 61 a share.

Volvo is planning to combine Cardo's industrial operations – the Swedish Sugar Company, Hilleshog and Weibulls, the garden seeds company – with its existing Provendor food division, creating a new unit with annual sales of more than SKr 8bn. It will have its headquarters in Malmö.

Volvo said yesterday the extension was only "a formal procedure. We will have 90 per cent before the end of the week."

## Porsche adds dividend bonus as profits rise

BY JOHN DAVIES IN STUTTGART

PORSCHE, the West German sports-car maker, is adding a bonus of DM 2.50 a share to its unchanged basic dividend. The higher pay-out reflects Porsche's record earnings – to be disclosed today – in its financial year to last July 31.

The bonus will take the total payout to DM 17.50 a share for ordinary shareholders, who are all members of the Porsche and Piech families.

Holders of publicly quoted preference shares will receive a total payout of DM 18.50 a share.

In 1983-84 Porsche paid a dividend of DM 15 a share to ordinary shareholders and DM 16 to preference shareholders. It had made net profits of DM 92.4m ($39.6m) on sales of DM 2.49bn.

Porsche has already disclosed that sales revenue rose 27 per cent last financial year to DM 3.17bn. It lifted car sales to more than 49,000, with half the cars being sold in the US.

Porsche has shown rapid growth in sales and profits in the past few years and has used much of its windfall profits from the high US dollar to bolster financial reserves and increase its investment.

The recent decline in the US dollar has increased uncertainty about Porsche's future earnings trend, although increased sales of cars in the US combined with price rises are expected to help to keep up its performance.

## Royal Dutch Paper

ROYAL Dutch Paper Mills announced that it would nearly double its 1985 dividend to Fl 5 ($1.90) a share from Fl 2.80 the previous year after taking into account a share split in 1984.

## Swedish bank up 7%

BY DAVID BROWN IN STOCKHOLM

SVENSKA Handelsbanken, one of Sweden's three largest commercial banks, yesterday reported an adjusted 7 per cent increase in operating results to SKr 1.72bn ($233m) for 1985 against SKr 1.61bn the previous year.

Net interest income dropped by 6 per cent to SKr 2.8bn – largely because of the Government's tight credit and monetary policy last year – but the decline was partly offset by a 13 per cent rise in commission and other income to SKr 1.35bn.

While overall income dropped by 1 percentage point compared with 1984, the bank was able to increase its operating profits by sharply cutting credit loss provisions and thus overall costs.

Profitability on equity declined from 18.4 per cent to 17.4 per cent. Total assets grew by 3 per cent to SKr 133.6bn.

Overall earnings for the Handelsbanken concern – including foreign subsidiaries – rose 15 per cent to SKr 1.97bn, the bank reports.

The board of directors has recommended that the dividend be increased by 30 per cent, or SKr 2.25, to SKr 9.75 a share.

## Cominco mine may be given new reprieve

By Kenneth Marston, Mining Editor, in London

THE COMINCO group's Black Angel lead-zinc-silver mine in Greenland may be given a further reprieve. Greenex, the operating company, has proposed to its parent, Canada's Vestgron, that operations continue after June 1.

That would require at least C$10m ($7.2m) additional equity to meet the financing needs. The proposal is being considered by Vestgron, which might make a rights issue to raise the extra funds.

Continued operation of the Arctic mine beyond June would allow underground testing and possible development of the deep-ice ore zone.

Vestgron, 62.5 per cent owned by Cominco, lost C$7.2m in 1985 after a provision of C$22.4m to cover the possible close-down of Black Angel.

## North American quarterly results

**CHAMPION SPARK PLUG**
Spark plugs, car parts

| Fourth quarter | 1985 $ | 1984 $ |
|---|---|---|
| Revenue | 203.3m | 210.4m |
| Net profits | 1.5m | 7.9m |
| Net per share | 0.04 | 0.21 |
| Year | | |
| Revenue | 832.4m | 816.5m |
| Net profits | 15.2m | 27.3m |
| Net per share | 0.40 | 0.71 |

**HOUSEHOLD INTERNATIONAL**
Consumer finance

| Fourth quarter | 1985 $ | 1984 $ |
|---|---|---|
| Revenue | 849.6m | 732.7m |
| Net profits | 32.9m | 32.4m |
| Net per share | 0.52 | 0.51 |
| Year | | |
| Revenue | 3.38bn | 2.92bn |
| Net profits | 162.8m | 164.5m |
| Net per share | 2.81 | 3.19 |

**KIDDE**
Consumer, industrial products

| Fourth quarter | 1985 $ | 1984 $ |
|---|---|---|
| Revenue | 564.1m | 526.8m |
| Net profits | 7.9m | 12m |
| Net per share | 0.35 | 0.55 |
| Year | | |
| Revenue | 2.15bn | 2.08bn |
| Net profits | 47.6m | 57.2m |
| Net per share | 2.10 | 2.54 |

**THE LIMITED**
Speciality retailing

| Fourth quarter | 1985 $ | 1984 $ |
|---|---|---|
| Revenue | 787.2m | 433.7m |
| Net profits | 56.1m | 33.6m |
| Net per share | 0.46 | 0.28 |
| Year | | |
| Revenue | 2.39bn | 1.34bn |
| Net profits | 145.3m | 92.5m |
| Net per share | 1.20 | 0.77 |

# Sanwa strengthens roots in Golden State

## Yoko Shibata reports on the growing Japanese prominence in the California banking league

SANWA BANK'S takeover of Lloyd's Bank California for $263m is the latest evidence of Japan's growing influence in Californian banking. Last week's deal will promote Golden State Sanwa Bank, the local subsidiary, to eighth place in the California banking league from 13th, with total assets of $4.6bn and 117 branches.

Golden State Sanwa will also become the second largest among Japanese-affiliated banks in the state after California First, owned by Bank of Tokyo. It will rank ahead of Bank of California (acquired by Mitsubishi Bank in 1984 with assets of $3.4bn), a Sumitomo Bank subsidiary (assets $2.7bn) and Mitsubishi Bank's separate operation under its own name (assets $1bn).

By the 1970s, most of these banks, including Sanwa, were established in California, which attracts foreign banks since interstate banking law allows operation only in the state in which they are chartered, and California has the largest retail market in the US.

"The target of Golden State Sanwa is to build up assets to $5bn, an appropriate level for full banking service whether in the US or in Japan," said a Sanwa executive in Tokyo this week. Sanwa in California had long been frustrated in an attempt to broaden its assets through an expansion of wholesale banking. It had courted large Japanese companies investing in the US and medium-sized US groups, with insufficient results.

It needed also to strengthen the position of its subsidiary in preparation for any legal relaxation which would enable banks in California to operate in other states.

Sanwa said the history of the deal went back to last summer when the bank conceived the idea that an acquisition would be the quickest way to bring its assets to the $5bn level. It then learned of Lloyds' intention to put its Californian subsidiary up for sale.

Negotiations were carried out between the respective head offices in Tokyo and London directly. Sanwa, which sees itself as a spearhead of the developing merger and acquisition business in Japan, chose not to bring in an adviser merchant bank, although Lloyds appointed Morgan Stanley at the final stage to conclude the deal.

Sanwa Bank saw the high proportion of individual savings at Lloyds California, accounting for 74 per cent of total deposits, as a distinct attraction. More so than corporate customers, individual depositors tend to leave their money put despite a change in control.

In addition, in a country like the US where interest rates are deregulated, the bank needs access to cheaper funds free from risks of rate fluctuations. These can come through individual deposits with relatively stable rates, instead of funding through instruments which reflect market rates. Sanwa also found little overlapping of the two banks' branch networks in California, which promises effective consumer finance business for Sanwa's existing subsidiary.

Another attraction was access to trust banking, as fund management business. Japanese banks' overseas subsidiaries fall outside the Japanese banking law which prohibits "city" (commercial) banks and their direct overseas branches to engage in trust banking.

Sanwa said it hoped to complete the purchase of the Lloyds unit by the end of this year. No regulatory problems are expected.

## Bond profits soar after inclusion of Castlemaine

BY LACHLAN DRUMMOND IN SYDNEY

BOND CORPORATION Holdings' Mr Alan Bond's Perth-based company, has transformed its profits position following the inclusion of four months of returns from its A$1.2bn (US$839m) takeover of Castlemaine Tooheys, with net earnings up more than threefold from A$9.3m to A$41.7m in its half-year to December.

Bond has counted in 100 per cent of returns from Castlemaine since September 1, when it gained more than 50 per cent of the brewing group, and says the new subsidiary produced pre-tax profits of A$82m for the period, before deducting holding costs on the investment.

Overall pre-tax profits were A$50.33m compared with A$7.97m after net interest charges of A$65m compared with A$21.7m. The interest bill will not have reflected the full impact of the carrying costs because of the lag between acceptance of its offer and payment while it excluded A$10m (A$2.4m previously) of capitalised interest charges.

The earnings also include a gain before tax and interest of A$25.5m (A$2.3m) from Bond's corporate division.

The brewing result — including its existing Swan business — was A$79.5m gross profit before interest and tax compared with A$19.2m.

Total sales were up from A$204m to A$735m.

Because of the changed nature of Bond since the Castlemaine takeover, the company is paying its first interim dividend of 5 cents compared with its normal practice of only paying a final, which last year was 10 cents. Earnings per share were 16.8 cents against 7 cents.

## SA Brewing acquisition move

BY OUR SYDNEY CORRESPONDENT

SA BREWING Holdings, the Adelaide-based associate of Elders IXL, is to bid A$88m (US$60.1m) for control of J. Gadsden Australia, a can maker. The bidder already owns 20 per cent of Gadsden, a holding bought from Elders in mid-1984, and now intends paying A$3.85 a share for 70 per cent of each remaining shareholding, a proportional takeover offer valuing all of the company at almost A$160m.

The offer—which represents a premium of 13 cents on the current market price—is to be funded partly through an A$46m rights issue. Gadsden net earnings fell 30.7 per cent to A$10.1m in its last year to June.

SA Brewing owns a recently increased 10 per cent stake in Elders, which in turn has almost a quarter of SA Brewing.

## BHP advises against revised bid by Bell

By Our Sydney Correspondent and Financial Staff

BROKEN HILL Proprietary (BHP), Australia's largest company, yesterday appealed to shareholders not to accept the revised takeover bid from Bell Resources, saying it is inadequate, riddled with uncertainties and that there is a danger of the company falling to the control of one man—Mr Robert Holmes à Court.

Mr Brian Loton, BHP managing director, said the bid failed to take into account the company's record performance over the past two years, that its partial nature left at risk the value of the residual shareholdings, aimed to lock up the shares submitted under the offer for as long as Bell determined, and had escape conditions allowing Bell to walk away from the bid.

The offer, valued at up to A$3.3bn (US$2.3bn), has been structured on a proportional basis seeking 50 per cent of each shareholding. Bell will pay A$7.70 cash, or one of its own shares plus A$2.50, with ceilings set on each alternative.

Bell, which is currently entitled to about 19 per cent of BHP, says its realistic expectation is to emerge with a total holding of up to 44 per cent.

Mr Holmes à Court said on television last night he expected to win control within six weeks and did not aim to be bought out by a white knight. "It is almost impossible to find a party who will pay A$2bn or more for our present holding."

## Canon boosts earnings on strong sales of copiers

BY YOKO SHIBATA IN TOKYO

CANON, the Japanese maker of cameras and office equipment, showed a 9.8 per cent boost in pre-tax profits last year to Y42.53bn ($236.1m), its tenth successive yearly profit rise.

Net profits rose 14 per cent to Y24.05bn, on sales of Y575.87bn, ahead by 18.6 per cent.

Sales of cameras slackened by 10 per cent, affected by the introduction of a new single-lens reflex camera by Minolta, its rival. This was more than offset by demand for its copier machines, where sales rose 30 per cent to Y220bn, and for office information equipment including laser printers and facsimile machines, up 40 per cent to Y180bn.

Exports to North America and Europe rose 15 per cent and 20 per cent respectively, but the company for the first time in four years reported a setback in operating profits. These were affected by the yen's appreciation and lower profit margins.

Other factors were an increase of 22 per cent to Y35bn in depreciation, accompanying large capital investments, and an increase of 30 per cent in research and development expenditure to Y54bn.

Investment proceeds, gains from foreign exchange hedging, and increased dividend revenue from overseas subsidiaries all contributed to the pre-tax advance. Following 5 per cent product price rises last November and again in January, the company is considering a further increase of 5 to 10 per cent. It expects a slowdown in sales of copiers caused by trade friction in Europe, but aims to maintain pre-tax profits at last year's level, on projected sales of Y650bn, up 13 per cent.

## Unrest hits S.African insurer

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICAN Eagle Insurance, the short-term insurance company which is 5 per cent-owned by Eagle Star of the UK, suffered an underwriting deficit of R2.96m ($1.4m) in 1985 even though gross premiums increased to R256.4m from R209.5m.

In 1984 there was an underwriting surplus of R847,000. Investment income rose to R22.09m from R20.49m but pre-tax operating income fell to R18.15m from R20.64m.

The directors say that underwriting results were adversely affected by "general unrest, poor economic conditions and natural catastrophes." In addition there was an increase in motor and crime claims.

A lower tax rate resulted in an increase in per share earnings to 112.8 cents from 110.5 cents. The total dividend has been maintained at 65 cents.

## Pancontinental well ahead at six months

By Kenneth Marston, Mining Editor

AUSTRALIA'S Pancontinental Mining is fulfilling earlier forecasts of a sharp expansion in profits this year with net earnings for the first six months to December of A$13.5m (US$9.44m or £6.68m). They compare with only A$2.1m in the same period of 1984-85.

The good performance reflects initial output from the Paddington gold mine in Western Australia, which started up last July, coupled with the benefits of the stake in the Central Queensland Coal Associates and Gregory coking coal ventures which was raised to 5 per cent from 3 per cent in July.

Pancontinental also confirmed that it is to increase production at Paddington. The open-pit operation near Kalgoorlie is to have its ore treatment capacity expanded to an annual rate of 1.2m tonnes by mid-1986 from the present 875,000 tonnes, which would allow an increase in gold production of about 30,000 oz in 1986-87.

Meanwhile, Paddington is expected to reach its target gold output of 90,000 oz in the current year to June. Production in the first half totalled 41,164 oz, of which 37,952 oz was sold at an average price of A$482 per ounce.

● Gold Mines of Kalgoorlie, in which Western Mining has a 28.9 per cent stake, earned A$2.79m (US$1.95m or £1.38m) in the first half of the current year to June 30 compared with A$2.27m a year ago. The interim dividend is reduced to 10 cents from 15 cents.

## NZ listing for Brierley Hong Kong unit

By Dai Hayward in Wellington

INDUSTRIAL EQUITY Pacific (IEP), the Hong Kong arm of Brierley Investments, is to be listed on the New Zealand Stock Exchange from Friday, alongside its locally based parent.

Between 10 and 15 per cent of the company's shares are already held by New Zealanders, in addition to the 52 per cent owned by Brierley Investments.

New Zealand shareholders who obtained a stake through the tender of 19m IEP shares last year have been more than satisfied with the result. The shares were then priced at HK$15. Since then there has been a one-for-five rights issue and a one-for-five bonus issue, despite which the shares are now trading at around HK$35.

Some would-be investors were deterred by the trading conditions of the Hong Kong Stock Exchange, which requires a 24-hour settlement. Local stockbrokers believe overseas buyers will obtain IEP shares through the New Zealand market.

## Malaysian Rothmans rises

By Our Financial Staff

ROTHMANS of Pall Mall (Malaysia), an associate of Rothmans International, boosted net profits to 21.17m ringgit ($8.6m) in the half-year to December, compared with 15.5m ringgit.

Earnings per share rose to 17 cents from 12 cents and, unlike in the previous first half, a 5 cent interim dividend is being paid. However, the company said only that it expected to maintain the total at the 1984-85 level. Turnover for the latest period was 269m ringgit against 233.1m ringgit.







## CITY OF COPENHAGEN US$25,000,000
## 6½% 20 YEAR EIGHTH CENTENARY LOAN OF 1967

HAMBROS BANK LIMITED hereby gives notice that in accordance with the terms and conditions of the above loan, the redemption for 15th April 1986 has been effected by the purchase of US$133,000 (nominal) and the under-mentioned bonds amounting to US$1,117,000 (nominal) were drawn on 30th January 1986 for redemption at par. The outstanding balance after the 15th April 1986 redemption is US$1,250,000 (nominal).

The drawn bonds may be presented to Hambros Bank Limited, 41 Bishopsgate, London EC2P 2AA, or to the other Paying Agents named on the bonds.

Bonds surrendered should have attached all unmatured coupons appertaining thereto. Coupons due 15th April 1986 should be detached and collected in the usual manner.

For payment in London, bonds will be received on any business day and must be left three clear days for examination.

Bonds of US$1,000

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 4 | 11 | 14 | 28 | 48 | 16358 | 16362 | 16446 | 16447 | 16457 | 23588 | 23589 | 23591 | 23681 | 23683 |
| 72 | 85 | 89 | 291 | 334 | 16460 | 16595 | 16847 | 17037 | 17038 | 23688 | 23698 | 23699 | 23702 | 23703 |
| 356 | 366 | 426 | 454 | 457 | 17039 | 17040 | 17210 | 17292 | 17294 | 23704 | 23718 | 23737 | 23744 | 23790 |
| 460 | 463 | 466 | 467 | 475 | 17295 | 17369 | 17373 | 17387 | 17403 | 23832 | 23833 | 23836 | 23837 | 23840 |
| 500 | 506 | 508 | 616 | 757 | 17645 | 17646 | 17650 | 17653 | 17656 | 23843 | 23846 | 23848 | 23849 | 23850 |
| 760 | 840 | 888 | 917 | 919 | 17662 | 17663 | 17664 | 17666 | 17686 | 23857 | 23865 | 23877 | 23882 | 23887 |
| 920 | 922 | 1018 | 1021 | 1027 | 17881 | 18163 | 18233 | 18234 | 18285 | 23947 | 23949 | 24027 | 24043 | 24071 |
| 1028 | 1035 | 1036 | 1055 | 1059 | 18344 | 18345 | 18346 | 18348 | 18350 | 24085 | 24088 | 24105 | 24132 | 24133 |
| 1061 | 1075 | 1083 | 1091 | 1119 | 18436 | 18442 | 18443 | 19199 | 19202 | 24136 | 24146 | 24149 | 24151 | 24154 |
| 1125 | 1130 | 1252 | 1254 | 1351 | 19204 | 19342 | 19348 | 19350 | 19399 | 24157 | 24158 | 24170 | 24176 | 24177 |
| 1455 | 1456 | 1485 | 1488 | 1497 | 19535 | 19536 | 19550 | 19621 | 19622 | 24221 | 24232 | 24235 | 24236 | 24245 |
| 1599 | 1775 | 1791 | 1792 | 1829 | 19626 | 19640 | 19641 | 19650 | 19653 | 24318 | 24320 | 24324 | 24335 | 24347 |
| 1859 | 1874 | 1875 | 1910 | 1911 | 19655 | 19658 | 19660 | 19693 | 19695 | 24349 | 24357 | 24379 | 24396 | 24399 |
| 2017 | 2051 | 2055 | 2134 | 2137 | 19700 | 19702 | 19739 | 19787 | 19792 | 24400 | 24401 | 24402 | 24404 | 24405 |
| 2215 | 2233 | 2234 | 2246 | 2247 | 19795 | 19796 | 19804 | 19805 | 19808 | 24410 | 24433 | 24435 | 24439 | 24440 |
| 2250 | 2302 | 2303 | 2319 | 2331 | 19809 | 19813 | 19816 | 19817 | 19821 | 24442 | 24443 | 24444 | 24453 | 24457 |
| 2333 | 2338 | 2343 | 2358 | 2360 | 19822 | 19843 | 19847 | 19849 | 19850 | 24461 | 24465 | 24466 | 24469 | 24478 |
| 2363 | 2385 | 2386 | 2395 | 2528 | 19860 | 19872 | 19874 | 19883 | 19903 | 24503 | 24504 | 24509 | 24521 | 24523 |
| 2562 | 2697 | 2698 | 2699 | 2700 | 19905 | 19911 | 19919 | 19920 | 19927 | 24524 | 24525 | 24529 | 24530 | 24554 |
| 2709 | 2725 | 2849 | 2963 | 3253 | 19928 | 19935 | 19936 | 19938 | 19963 | 24558 | 24560 | 24594 | 24641 | 24650 |
| 3502 | 3504 | 3509 | 3518 | 3519 | 19966 | 19995 | 20003 | 20008 | 20010 | 24651 | 24652 | 24654 | 24656 | 24660 |
| 3520 | 3521 | 3522 | 3525 | 3526 | 20015 | 20017 | 20022 | 20028 | 20030 | 24662 | 24663 | 24664 | 24669 | 24670 |
| 3528 | 3529 | 3530 | 3545 | 3553 | 20035 | 20042 | 20044 | 20049 | 20057 | 24675 | 24683 | 24684 | 24702 | 24706 |
| 3572 | 3573 | 3574 | 3575 | 3601 | 20058 | 20059 | 20060 | 20061 | 20069 | 24708 | 24709 | 24712 | 24718 | 24719 |
| 3608 | 3609 | 3672 | 3724 | 3729 | 20072 | 20073 | 20074 | 20075 | 20083 | 24720 | 24724 | 24725 | 24726 | 24758 |
| 3739 | 3759 | 3764 | 3872 | 3965 | 20087 | 20094 | 20114 | 20120 | 20121 | 24759 | 24761 | 24766 | 24793 | 24794 |
| 3968 | 4405 | 4410 | 4531 | 4542 | 20123 | 20124 | 20130 | 20131 | 20135 | 24801 | 24802 | 24805 | 24807 | 24817 |
| 4543 | 4549 | 4561 | 4571 | 4572 | 20138 | 20143 | 20145 | 20150 | 20179 | 24890 | 24891 | 24925 | 24926 | 24946 |
| 4763 | 4764 | 4766 | 4779 | 4780 | 20182 | 20197 | 20205 | 20210 | 20212 | 24949 | 24957 | 24958 | 24984 | 24986 |
| 4781 | 4807 | 4811 | 4815 | 4817 | 20218 | 20220 | 20221 | 20233 | 20236 | 24990 | 24993 | | | |
| 4823 | 4830 | 4834 | 4856 | 4863 | 20269 | 20276 | 20277 | 20293 | 20295 | | | | | |
| 4867 | 4868 | 4872 | 4883 | 4885 | 20297 | 20299 | 20300 | 20305 | 20306 | | | | | |
| 4888 | 4889 | 4892 | 4894 | 4905 | 20308 | 20315 | 20317 | 20326 | 20338 | | | | | |
| 4906 | 4909 | 4910 | 4913 | 4914 | 20339 | 20343 | 20344 | 20345 | 20346 | | | | | |
| 4920 | 5002 | 5315 | 5434 | 5436 | 20349 | 20354 | 20380 | 20383 | 20385 | | | | | |
| 5529 | 5532 | 5534 | 5535 | 5538 | 20438 | 20481 | 20489 | 20490 | 20491 | | | | | |
| 5580 | 5603 | 5610 | 5611 | 5787 | 20502 | 20504 | 20506 | 20512 | 20516 | | | | | |
| 5788 | 5789 | 5790 | 5791 | 6331 | 20519 | 20522 | 20525 | 20549 | 20550 | | | | | |
| 6332 | 6339 | 6340 | 6361 | 6458 | 20551 | 20553 | 20565 | 20569 | 20570 | | | | | |
| 6459 | 6441 | 6447 | 6493 | 6710 | 20579 | 20580 | 20582 | 20584 | 20590 | | | | | |
| 6733 | 6771 | 6775 | 6883 | 7080 | 20600 | 20614 | 20617 | 20628 | 20630 | | | | | |
| 7082 | 7105 | 7107 | 7217 | 7218 | 20631 | 20633 | 20634 | 20636 | 20637 | | | | | |
| 7220 | 7240 | 7296 | 7304 | 7330 | 20639 | 20652 | 20654 | 20663 | 20674 | | | | | |
| 7332 | 7333 | 7339 | 7451 | 7709 | 20676 | 20684 | 20688 | 20689 | 20735 | | | | | |
| 7750 | 7923 | 7924 | 7927 | 7946 | 20742 | 20743 | 20747 | 20764 | 20772 | | | | | |
| 7956 | 7957 | 7958 | 7959 | 7964 | 20779 | 20783 | 20798 | 20799 | 20804 | | | | | |
| 7967 | 8030 | 8031 | 8090 | 8114 | 20806 | 20811 | 20816 | 20817 | 20826 | | | | | |
| 8129 | 8296 | 8298 | 8465 | 8546 | 20828 | 20830 | 20831 | 20841 | 20842 | | | | | |
| 8547 | 8633 | 8649 | 8682 | 8683 | 20844 | 20846 | 20847 | 20851 | 20853 | | | | | |
| 8684 | 8685 | 8686 | 8687 | 8688 | 20873 | 20946 | 20949 | 20952 | 20955 | | | | | |
| 8690 | 8692 | 8694 | 8696 | 8699 | 20956 | 20958 | 20959 | 20972 | 21033 | | | | | |
| 8769 | 8787 | 8790 | 8803 | 8810 | 21034 | 21045 | 21297 | 21298 | 21425 | | | | | |
| 8815 | 8963 | 8967 | 9018 | 9020 | 21426 | 21427 | 21428 | 21429 | 21441 | | | | | |
| 9021 | 9022 | 9024 | 9045 | 9063 | 21506 | 21512 | 21514 | 21964 | 21965 | | | | | |
| 9071 | 9209 | 9211 | 9269 | 9372 | 21966 | 21967 | 21979 | 22007 | 22136 | | | | | |
| 9373 | 9377 | 9378 | 9422 | 9439 | 22137 | 22138 | 22140 | 22142 | 22143 | | | | | |
| 9470 | 9488 | 9490 | 9492 | 9520 | 22144 | 22145 | 22147 | 22149 | 22158 | | | | | |
| 9529 | 9534 | 9558 | 9562 | 9563 | 22171 | 22174 | 22176 | 22177 | 22178 | | | | | |
| 9564 | 9571 | 9817 | 9973 | 9978 | 22180 | 22181 | 22184 | 22192 | 22193 | | | | | |
| 9979 | 9980 | 9983 | 9988 | 10029 | 22197 | 22199 | 22201 | 22206 | 22217 | | | | | |
| 10033 | 10121 | 10191 | 10192 | 10197 | 22218 | 22221 | 22224 | 22225 | 22233 | | | | | |
| 10198 | 10254 | 10258 | 10259 | 10260 | 22239 | 22285 | 22286 | 22289 | 22306 | | | | | |
| 10263 | 10264 | 10323 | 10436 | 10438 | 22358 | 22368 | 22371 | 22400 | 22403 | | | | | |
| 10447 | 10451 | 10455 | 10458 | 10495 | 22404 | 22405 | 22409 | 22411 | 22413 | | | | | |
| 10496 | 10576 | 10659 | 10660 | 10734 | 22414 | 22415 | 22417 | 22418 | 22419 | | | | | |
| 10736 | 10737 | 10824 | 10826 | 10875 | 22456 | 22465 | 22466 | 22493 | 22495 | | | | | |
| 10972 | 10973 | 11013 | 11102 | 11103 | 22497 | 22498 | 22499 | 22503 | 22505 | | | | | |
| 11108 | 11112 | 11113 | 11114 | 11115 | 22506 | 22508 | 22523 | 22524 | 22529 | | | | | |
| 11116 | 11120 | 11225 | 11227 | 11228 | 22530 | 22532 | 22549 | 22554 | 22586 | | | | | |
| 11229 | 11256 | 11257 | 11260 | 11277 | 22595 | 22598 | 22602 | 22604 | 22623 | | | | | |
| 11325 | 11431 | 11572 | 11829 | 11831 | 22624 | 22627 | 22637 | 22638 | 22684 | | | | | |
| 11939 | 12070 | 12071 | 12108 | 12124 | 22687 | 22695 | 22696 | 22703 | 22705 | | | | | |
| 12132 | 12142 | 12153 | 12157 | 12172 | 22711 | 22720 | 22725 | 22727 | 22740 | | | | | |
| 12174 | 12175 | 12176 | 12177 | 12179 | 22743 | 22744 | 22746 | 22748 | 22760 | | | | | |
| 12180 | 12182 | 12185 | 12187 | 12190 | 22781 | 22782 | 22802 | 22822 | 22843 | | | | | |
| 12192 | 12200 | 12210 | 12215 | 12224 | 22844 | 22850 | 22851 | 22854 | 22859 | | | | | |
| 12229 | 12234 | 12239 | 12242 | 12249 | 22862 | 22864 | 22868 | 22870 | 22875 | | | | | |
| 12255 | 12257 | 12261 | 12262 | 12265 | 22878 | 22887 | 22890 | 22894 | 22895 | | | | | |
| 12273 | 12281 | 12287 | 12294 | 12296 | 22896 | 22898 | 22901 | 22902 | 22917 | | | | | |
| 12299 | 12308 | 12314 | 12322 | 12328 | 22920 | 22921 | 22941 | 22943 | 22953 | | | | | |
| 12334 | 12348 | 12350 | 12352 | 12354 | 22954 | 22961 | 22965 | 23001 | 23004 | | | | | |
| 12383 | 12404 | 12421 | 12543 | 12557 | 23006 | 23016 | 23060 | 23068 | 23075 | | | | | |
| 12589 | 12590 | 12641 | 12709 | 12896 | 23090 | 23097 | 23099 | 23102 | 23103 | | | | | |
| 12938 | 13130 | 13159 | 13188 | 13189 | 23105 | 23106 | 23107 | 23110 | 23130 | | | | | |
| 13361 | 13362 | 13365 | 13366 | 13373 | 23132 | 23137 | 23144 | 23149 | 23150 | | | | | |
| 13376 | 13377 | 13396 | 13437 | 13440 | 23153 | 23179 | 23180 | 23182 | 23204 | | | | | |
| 13479 | 13480 | 13481 | 13851 | 13993 | 23205 | 23220 | 23222 | 23224 | 23230 | | | | | |
| 13995 | 14021 | 14045 | 14046 | 14523 | 23245 | 23247 | 23251 | 23257 | 23259 | | | | | |
| 14524 | 14526 | 14528 | 14556 | 14557 | 23261 | 23266 | 23267 | 23286 | 23289 | | | | | |
| 14650 | 14731 | 14747 | 14890 | 14893 | 23295 | 23319 | 23322 | 23323 | 23328 | | | | | |
| 14918 | 14933 | 14934 | 14935 | 14936 | 23329 | 23333 | 23342 | 23358 | 23369 | | | | | |
| 14944 | 14946 | 15230 | 15233 | 15234 | 23378 | 23426 | 23428 | 23430 | 23432 | | | | | |
| 15255 | 15261 | 15263 | 15266 | 15269 | 23436 | 23437 | 23438 | 23439 | 23444 | | | | | |
| 15273 | 15274 | 15285 | 15389 | 15394 | 23457 | 23458 | 23461 | 23465 | 23471 | | | | | |
| 15395 | 15397 | 15399 | 15443 | 16173 | 23485 | 23497 | 23498 | 23499 | 23510 | | | | | |
| 16174 | 16181 | 16184 | 16191 | 16238 | 23516 | 23524 | 23525 | 23530 | 23536 | | | | | |
| 16239 | 16257 | 16336 | 16338 | 16339 | 23543 | 23545 | 23551 | 23554 | 23555 | | | | | |

The following bonds from previous redemptions, are still outstanding for payment:—

BONDS DRAWN 15th APRIL 1983

| | | | | |
|---|---|---|---|---|
| 2138 | 3761 | 4556 | 4593 | 4596 |
| 7512 | 8986 | 9565 | 11179 | 16327 |
| 19965 | 23463 | | | |

BONDS DRAWN 15th APRIL 1984

| | | | | |
|---|---|---|---|---|
| 30 | 31 | 32 | 86 | 451 |
| 461 | 462 | 472 | 1516 | 1517 |
| 1913 | 2301 | 2321 | 2323 | 2324 |
| 2325 | 2691 | 2692 | 2962 | 2980 |
| 3277 | 3666 | 3671 | 3674 | 4773 |
| 5579 | 5783 | 6354 | 6432 | 6433 |
| 6446 | 6732 | 7961 | 7963 | 7969 |
| 7974 | 8478 | 8691 | 8693 | 8705 |
| 8966 | 9976 | 9977 | 9981 | 9985 |
| 10138 | 10361 | 11259 | 11261 | 11262 |
| 11424 | 11425 | 11486 | 12107 | 12121 |
| 14558 | 16326 | 16357 | 18086 | 19433 |
| 19525 | 20515 | 21283 | 21719 | 24233 |
| 24340 | 24342 | 24344 | | |

BONDS DRAWN 15th APRIL 1985

| | | | | |
|---|---|---|---|---|
| 25 | 29 | 303 | 304 | 365 |
| 367 | 458 | 459 | 469 | 476 |
| 523 | 614 | 615 | 676 | 696 |
| 1779 | 2305 | 2308 | 2311 | 2312 |
| 2318 | 2326 | 2327 | 2329 | 2341 |
| 2361 | 2396 | 2397 | 2703 | 2850 |
| 3032 | 3765 | 3768 | 3769 | 3772 |
| 3873 | 3970 | 3971 | 4532 | 4557 |
| 4558 | 4574 | 4575 | 4592 | 5281 |
| 5316 | 5468 | 5469 | 5471 | 5531 |
| 5533 | 5536 | 5604 | 5605 | 5608 |
| 6147 | 6355 | 6434 | 7083 | 7103 |
| 7104 | 7227 | 7334 | 7587 | 7722 |
| 7723 | 7954 | 8299 | 8302 | 8303 |
| 8315 | 8322 | 8464 | 8540 | 8609 |
| 8612 | 8613 | 8615 | 8619 | 8698 |
| 8766 | 8767 | 8768 | 8776 | 8789 |
| 9058 | 9061 | 9114 | 9261 | 9262 |
| 9540 | 9541 | 9559 | 9561 | 9568 |
| 9828 | 9962 | 9965 | 9991 | 9996 |
| 9997 | 10251 | 10262 | 10658 | 10924 |
| 11171 | 11180 | 11371 | 11372 | 11493 |
| 11835 | 12068 | 12563 | 12564 | 12940 |
| 12941 | 12959 | 12960 | 12961 | 12963 |
| 13043 | 13140 | 13321 | 13447 | 14433 |
| 14476 | 14570 | 14732 | 14737 | 14739 |
| 14943 | 14945 | 14947 | 15390 | 15553 |
| 16228 | 16256 | 16258 | 16263 | 16296 |
| 16361 | 16462 | 16589 | 16592 | 16593 |
| 16596 | 17372 | 17648 | 17649 | 17652 |
| 17657 | 18776 | 19046 | 19630 | 19631 |
| 19777 | 19780 | 19783 | 19784 | 20661 |
| 20818 | 21088 | 21737 | 21980 | 22688 |
| 22955 | 23194 | 23197 | 23198 | 23199 |
| 23200 | 23211 | 23214 | 23215 | 23218 |
| 23334 | 23335 | 23336 | 23338 | 23340 |
| 23462 | 23467 | 23468 | 23469 | 23540 |
| 23541 | 24225 | 24507 | | |

HAMBROS BANK LIMITED
19th February 1986

# INTERNATIONAL COMPANIES and FINANCE

## Channel Tunnel project excites banking community

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE PROPOSED Channel tunnel rail link between Cheriton in Kent and Frethun near Calais will not only provide work for major construction companies. It is also a mammoth international banking operation, involving what is believed to be the largest-ever private sector project financing in Europe.

Already some 33 banks have agreed to underwrite £4.35bn in loans for the project. Within a month the five major bank co-ordinating the financing—Midland and National Westminster on the British side, Banque Indosuez, Banque Nationale de Paris and Credit Lyonnaise on the French—hope to have pushed the total of commitments received up to £5bn.

The deal has caught the imagination of large numbers of European and Japanese banks, attracted by a new lending opportunity at a time when business is generally scarce. In the case of Japanese banks, which account for some 35 per cent of the underwriting, it also affords an opportunity for their London branches to acquire sterling assets which are in very short supply and normally carry only minimal returns.

That said, however, the Channel financing project is also one of the most complex ever seen, requiring careful orchestration at each stage along the way. It is not without its detractors — large US banks have so far stayed away because of the long pay-back period on the loans and because of the lack of any government guarantees.

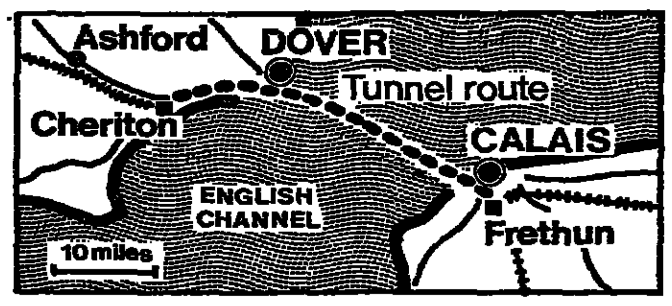
It is also unusual because, unlike other project financings such as those for North Sea oil development, it has had to start from absolute scratch. The two leading banks have themselves taken the unusual step of injecting equity capital into the project to get it under way.

From the outset consortia bidding for the mandate to operate the tunnel were required to demonstrate an ability to finance the investment. That means that already the broad financial outlines of the scheme are in place. The Channel Tunnel will not be a project like, say, the multi-billion dollar hydroelectric plant at Itaipu in Brazil, where a succession of loans were arranged on an ad hoc basis. Instead it is already possible to sketch out the entire operation from start to finish.

Two things stand out from this plan. The first is the parallel approach in which loans will be raised at the same time as equity with the two procedures closely linked and interdependent. The second is the safeguards that have had to be built into the plan to protect banks which have had to commit money at an early stage against the possibility of the project foundering.

The timetable works like this. In about June a further £150m of equity in the tunnel will be sold through international placement with institutions. This will add to the seed capital of up to £50m to be subscribed by founder members of the winning consortium which include the five lead banks as well as the construction companies involved.

Later in the year syndication of the £5bn loan facilities—which include a £1bn standby credit to be drawn on in the case of cost-overruns—will start. Banks subscribing to these loans will not have recourse to any guarantors, which means that they will take the project risk upon themselves. The loans will not, however, become available for drawdown until a total of £650m in equity is in place. This will be achieved through




a general equity offer to the public next summer in which the promoters hope to raise between £450m and £600m. The banks which are founder shareholders are unlikely to sell their stakes at this stage.

As further safeguards for the banks drawdown of the loans, which will be needed to finance the start of construction work next year, can only take place once the banks are satisfied not only with the treaty signed last week by Mrs Thatcher for Britain and President Francois Mitterrand of France, but also with the terms of the operating concession granted by the two governments and of the construction contracts.

After the tunnel enters service, probably in 1993, the loans should be refinanced through sales of international bond issues in international markets. Bankers close to the project say they will expect to see their loans repaid in this way before equity investors start receiving substantial dividends.

At the moment, however, their main efforts are concentrated on preparing the loans for general syndication.

Japanese institutions, the largest international lenders in the world, are expected to play a crucial role in this. Already four have been co-opted into the scheme to drum up support from their compatriots. Sanwa Bank will help on the financial side, Industrial Bank of Japan on the technical side, while Bank of Tokyo and Long-Term Credit Bank jointly will help with loan syndication and legal documentation.

Still to be negotiated are the interest margins for the deal.

Nonetheless the project stands to breathe new life into a flagging syndicated loan market. Now that it is under way the major banks involved have begun to separate their strictly banking role from that of project promoters. That means they will not end up negotiating the loan terms effectively with themselves as shareholders. But there is still a hope that the front end fees on the transaction alone could go a long way towards offsetting the initial cost of their equity investment.

## European Arab Bank to be wound up

By Michael Cassell

EUROPEAN Arab Bank, the consortium-owned bank set up in 1972, is being wound-up following the reluctance of some shareholders to inject fresh capital into the operation.

Eurab, which at the end of 1984 reported shareholders' funds of LFr 125.7bn ($2.52bn), has operations in London, Brussels, Frankfurt and Bahrain. It has provided a full range of international banking activities, including medium-term and project finance, the financing of foreign trade and eurocurrency and eurobond issues.

The Bank is 50 per cent-owned by Arab interests, with the balance held by several European and Japanese banks, including Midland Bank, Amsterdam-Rotterdam Bank, Credit Suisse, Deutsche Bank, Fujibank, Creditanstalt-Bankverein, Generale de Banque and the Industrial Bank of Japan. The average, minority shareholding is around 5 per cent.

Eurab was established at a time when banks were anxious to spread their international operations via consortium networks. The decision to shut the operation stems from last year's failure to attract around $150m of additional finance. It also reflects the changing approach of the member banks to international expansion.

Eurab said last night that it would not be taking on any further new business and that its shareholders would ensure all liabilities of the group would be met. The relevant regulatory authorities, including the Bank of England, had been informed and they were satisfied with the situation.

Though Eurabo is reluctant to discuss last year's attempt to inject new funds into the bank, it is understood that the recommendation, made by Price Waterhouse, the auditors, was not accepted by two or three of the shareholders.

Eurab formed part of European Banks International (EBIC), one of the world's largest banking consortia.

## Japan may ease limit on foreign holdings

BY CARLA RAPOPORT IN TOKYO

JAPAN'S Ministry of Finance is seriously considering raising the ceiling on foreign bond investment by life insurance companies from 10 per cent of total assets to between 20 and 25 per cent.

The move, which may be accompanied by other measures aimed at easing controls on the flow of funds out of Japan, would be welcomed by Japan's huge life and non-life companies. These groups are now close to their 10 per cent overseas investment limit.

Without an increase in the ceiling, many stand to suffer large foreign exchange losses on their US investments because of the recent, rapid appreciation of the yen against the dollar. If allowed to increase their purchase of dollar bonds, the companies could offset this by averaging down the overall cost of their foreign exchange.

At the same time, the higher flow of funds out of Japan could help ensure that the yen does not fall further than its current level against the dollar of around Y180. If the currency settles around that level, the restriction could be eased. It was the Yen's former weakness which had prevented MoF officials from raising the 10 per cent ceiling last year as recommended by a government advisory committee.

MoF officials refused to discuss the subject publicly yesterday. However, it is understood that the matter is under serious review with a favourable attitude to the idea.

Japan is the world's largest creditor nation, with net capital outflows last year of around $50bn. Life insurance companies' assets last year were around $260bn, with an estimated $25bn of that invested overseas, the majority in US treasury bonds.

Most Tokyo-based bond dealers said yesterday they expect the life companies to continue to concentrate on US bonds. However, they do not expect the companies to double their exposure by immediately jumping to the new ceiling once it is announced.

"I expect we'll see a gradual increase," said a manager at one of the large US investment banks in Tokyo.

Another liberalisation under consideration includes the lifting of a ban on investment in foreign bonds through loan trust accounts. According to Mr Tsuneo Hamada, managing director of Mitsubishi Trust, both reforms will be approved by the end of April.

The higher ceiling may mean the closing of the Sushi bond loophole. At present, money raised outside Japan by a Japanese company, so-called Sushi bonds, has not been counted as part of the 10 per cent limit. These bonds were very popular last year, reaching more than $2bn.

## $230m Euro-paper for Enel

BY OUR EUROMARKETS CORRESPONDENT

BANKERS Trust has launched a $230m, one year Eurocommercial paper programme for Enel, Italy's state electric utility.

The programme will be the first in this market to use the so-called conduit bank system, whereby the funds will be raised by its German subsidiary Bankers Trust GmbH and then lent on to the Italian borrower.

Use of a conduit bank is common on syndicated credits which are not guaranteed by the state. It is a means of avoiding interest withholding tax which is normally levied on such deals by the Italian Government unless the lender is a local bank.

Though the commercial paper will be issued in the name of Bankers Trust German offshoot, it will in fact be an Enel risk.

Separately Ladbroke Group of the UK has awarded a $75m Eurocommercial paper mandate to Lloyds Bank and Merrill Lynch. Lloyds is also arranging a seven-year revolving credit to back up the paper issue.

## Amoco breaks new ground with 30-year Euro-issue

BY ALEXANDER NICOLL

AMOCO broke new ground in the Eurobond market yesterday by becoming the first corporate borrower, and only the second of any kind, to issue 30-year Eurobonds.

The $200m deal is also innovative in that it may be issued either on the Eurobond market in bearer form, or in the US as bonds which can be immediately registered. This flexibility has been achieved by taking the issue out of an existing shelf filing with the Securities and Exchange Commission. As well as enabling the bonds to be sold simultaneously in New York and Europe, the structure avoids the need for Eurobonds to become "seasoned"—traded for 90 days—before they can be sold back into the US market.

Such global issues became a possibility when the US dropped withholding tax on bonds in 1984. But the yield spread, which made it far cheaper for US corporates to borrow on the Euromarkets and the US market, was slow to disappear. Its narrowing makes it more logical to expand the potential range of investors.

One purpose of adding the US option, however, is to provide a backstop for the issue in case it does not prove very attractive to European investors. The US, with a well-developed market in 30-year paper, would provide a natural trading and investment market if the bonds failed to stick outside the US.

The only limitation on the issue's universal scope is that, though bearer bonds may become registered if they are sold back into the US, the process cannot be reversed. They stay registered for life.

Despite the Amoco issue's global nature, its performance was felt in the market to depend heavily on Japanese interest. Japan has displayed the greatest demand for long-dated paper of this kind, partly because they offer a more interesting yield curve play through their greater volatility. After seeing some interest in Europe, the issue was trading within its fees.

Amoco, the sixth largest US oil company with an AAA rating, was seen as a good enough name to test the market for 30-year bonds, and Morgan Stanley International assembled a strong and quite large group of co-managers for the deal.

The 9⅜ per cent coupon and par pricing, with total fees of 2½ per cent, gave a 75 basis point spread at launch over the Treasury 9¼ per cent due 2016. The coupon and pricing are the same as for the only parallel issue, launched last year for the World Bank, but Amoco bonds are callable after 10 years.

Nippon Steel is raising $150m for seven years with a 9 per cent coupon and pricing at 101¼. The bullet issue, led by Daiwa Europe, was launched with a spread of nearly 40 basis points over Treasuries taking the fees into account.

Morgan Guaranty launched a $100m five-year bullet for Banque Indosuez, on which the 8½ per cent coupon and 100½ price gave a 47 basis point spread over Treasuries.

Aoki Corporation, a Japanese construction concern, met an enthusiastic response for a $100m bonds with equity warrants deal led by Nomura International. It has a 4½ per cent indicated coupon and is likely to have a 2½ per cent exercise premium.

Other sectors of the market featured a five-bond package worth about $250m for the World Bank, co-ordinated by DG Bank, including the first issue by this borrower in Australian dollars and the lowest coupon seen in the French franc market since it reopened last April.

DG Bank is itself leading a DM 250m five-year bullet issue with a 6 per cent coupon and par pricing, and the A$75m five-year issue with a 14 per cent coupon and 101 price, placed with European savings banks. Credit Agricole is running the FFr 200m 10-year issue with a 9¾ per cent coupon and 100¾ per cent price; Rabobank a Fl 100m five-year deal with 6¼ per coupon and 99½ price; and Norinchukin Bank a Y5bn seven-year placement.

Austria tapped the Swiss market with a SFr 300m two-tranche issue led by Swiss Bank Corporation. It comprises a SFr 100m 15-year issue with a 5 per cent coupon and 99¼ per cent price, and a SFr 200m 30-year 5¼ per cent issue with par pricing.

Swiss bond prices were unchanged, while in West Germany prices were up about ¼ in fair volume, aided by a recovering equity market.

In the convertible sector, Centrust Savings Bank, of Florida, is making a $35m issue convertible into shares of Midland-Ross, a Cleveland, Ohio-based diversified capital goods manufacturer. The 15-year issue, led by Banque Paribas Capital Markets, has a seven per cent coupon and the conversion premium is indicated at 20 to 25 per cent. It is collateralised with US Federal securities to provide an AAA rating.

Trizec Corporation, the Canadian property group, is raising Ecu 56m with an 8½ year issue led by Societe Generale. It has a 9¼ per cent coupon and par pricing, and was trading within its fees.

General Motors Acceptance Corp's Eurosterling issue, which reopened that market last week, was increased from £50m to £75m by Hambros Bank.

## DOMESTIC BOND MARKETS

### Tokyo market holds steady

THE YEN bond market held steady on prospects of another cut in the official discount rate, with the yield on the bellwether 6.2 per cent Government bond due in July 1995 plunging to 5.465 per cent from Monday's 5.515 per cent, writes Shiego Nishiwaki of Jiji Press.

Dealers traded actively in bonds, encouraged by Government calls for another official discount rate cut to cushion the impact of the yen's rise on the domestic economy. Trust banks and financial institutions serving the agricultural sector also stepped up bond purchases.

But the decline in the yield had been so fast since late last week that buying shrank slightly in the afternoon.

### Firmer prices in Frankfurt

PRICES OF public authority bonds ended firmer after a dull and lacklustre bourse session with some domestic investors opening fresh positions but foreigners retreating from the market. Dealers said long maturities gained by around 10 pfennigs but the short end of the market saw some isolated losses of up to five pfennigs.

Dresdner Bank said terms on its DM 400m warrant bond had been set to give a 6½ per cent coupon, 10-year maturity and 130 issue price. Shareholders will be offered five bonds for every 17 shares or warrants held.

Each DM 1,000 worth of the issue carries two warrants for subscription for a total five shares at a price of DM 380 per share. Dresdner shares closed up DM 10 at DM 390 yesterday.
—HK Bank CD Oversubscribed

### HK bank CD over subscribed

THE LONG awaited HK$250m fixed rate certificate of deposit issue for Bank of Communications Hong Kong branch, launched yesterday, has been heavily over-subscribed. Response to issue the first fixed-rate CD issue by a Chinese state-owned bank, was overwhelming and subscription from the 25 underwriters amounted to HK$315m.

The three-year issue carries an 8.15 per cent coupon. Front end fee is 25 basis points. Twelve banks joined BT Asia as lead managers and 12 others joined as managers.



## FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on February 18

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield |
|---|---|---|---|---|---|---|
| Amev 10¼ 92 | 100 | 104⅝ | 105⅛ | +0⅛ | +0⅞ | 9.33 |
| Amex Credit 10⅞ 90 | 100 | 106⅜ | 106⅝ | −0⅛ | +0½ | 8.98 |
| Atlan. Richfield 10⅜ 00 | 250 | 101½ | 102 | +0⅛ | +0⅞ | 10.00 |
| Australia Com. 11 95 | 200 | 111½ | 112 | +0⅞ | +2⅜ | 9.07 |
| Australia Com. 11⅜ 00 | 100 | 112⅜ | 113⅜ | +0⅛ | +2⅜ | 9.54 |
| BP Capital 11¼ 92 | 150 | 107⅞ | 108⅜ | +0⅛ | +1⅜ | 9.34 |
| Campbell Soup 10½ 95 | 100 | 108⅜ | 108⅞ | +0⅛ | +1⅛ | 9.10 |
| Canada 11½ 90 | 500 | 110 | 110½ | +0⅛ | +1⅛ | 8.43 |
| Canadian Pac. 10⅜ 93 | 100 | 105⅜ | 105⅞ | +0⅛ | +0⅞ | 9.65 |
| Canadian Pac. 12½ 99 | 75 | 111⅜ | 112⅞ | +0½ | +1⅜ | 10.77 |
| CEPME 10⅜ 91 | 100 | 105⅛ | 105⅝ | +0⅛ | +1⅛ | 8.85 |
| Chevron USA 12⅜ 89 | 800 | 104⅞ | 105⅜ | +0⅛ | +0⅛ | 10.48 |
| Citicorp 10 88 | 200 | 102⅞ | 103⅜ | −0⅛ | +0⅛ | 9.61 |
| Citicorp 10⅜ 96 | 200 | 103⅛ | 103⅜ | −0⅛ | +1 | 10.01 |
| Coca Cola 11⅛ 91 | 100 | 108⅛ | 108⅝ | −0⅛ | +1 | 9.71 |
| Denmark Kgdm. 11¼ 89 | 100 | 106⅝ | 107⅛ | 0 | +1 | 8.67 |
| Denmark Kgdm. 11½ 90 | 100 | 108⅝ | 109⅛ | +0⅛ | +1⅛ | 8.89 |
| Denmark Kgdm. 11½ 92 | 100 | 110½ | 111 | +0⅛ | +1⅞ | 9.13 |
| EDF 10 95 | 225 | 104⅜ | 104⅝ | +0⅛ | +1⅛ | 9.25 |
| EEC 9⅜ 90 | 350 | 102⅞ | 103⅛ | −0⅛ | +0⅛ | 8.80 |
| EIB 10¼ 94 | 200 | 108 | 108½ | +0⅛ | +1⅛ | 9.16 |
| EIB 12 95 | 200 | 116 | 116½ | +0⅛ | +2⅛ | 9.28 |
| Eli Lilly 10⅛ 92 | 150 | 106⅞ | 107⅛ | −0⅛ | +0⅞ | 8.80 |
| Equit. Lrd. Rlty. 10½ 97 | 100 | 103½ | 104 | +0⅛ | +1⅛ | 9.95 |
| Export Dev. Con. 10 90 | 100 | 104⅞ | 105⅜ | +0⅛ | +1⅛ | 8.51 |
| Fed. Dep. Strs. 10⅜ 95 | 100 | 104⅜ | 104⅞ | −0⅛ | +0⅞ | 9.36 |
| Ford Motor Crd. 10½ 91 | 150 | 104½ | 105 | 0 | +1 | 9.36 |
| Ford Motor Crd. 11⅛ 90 | 100 | 106½ | 107 | −0⅛ | +1 | 9.27 |
| Ford Motor Crd. 12 95 | 100 | 111⅛ | 111⅝ | +0½ | +2 | 10.03 |
| Gen. El. Cred. 10⅛ 00 | 200 | 103⅞ | 104⅛ | −0⅛ | +0⅛ | 9.71 |
| GMAC 10⅜ 89 | 200 | 104⅛ | 104⅜ | −0⅛ | +0⅛ | 8.58 |
| GMAC 10⅜ 92 | 250 | 104 | 104½ | −0⅛ | +0⅛ | 9.35 |
| IADB 9⅞ 95 | 200 | 104 | 104½ | +0⅛ | +2 | 9.20 |
| IADB 10½ 95 | 150 | 107½ | 108 | +0⅛ | +1⅛ | 9.23 |
| Kellogg Co. 10⅞ 90 | 100 | 104⅞ | 105⅜ | −0⅛ | +0⅛ | 9.26 |
| Kellogg Co. 11¼ 92 | 100 | 107⅜ | 108⅛ | +0⅛ | +0⅞ | 9.40 |
| LTCB 12⅞ 91 | 100 | 115⅜ | 116⅛ | −0⅛ | +1⅛ | 9.13 |
| Nippon Cr. Bk. 10⅜ 95 | 150 | 107⅛ | 107⅝ | 0 | +1⅛ | 9.40 |
| Pillsbury Co. 10⅜ 93 | 100 | 103½ | 104 | +0⅛ | +1⅛ | 9.53 |
| Proct. & G. 'A' 9⅞ 92 | 150 | 102⅞ | 103⅜ | −0⅛ | +1 | 9.23 |
| Pru Realty S. 12⅝ 95 | 545 | 112⅜ | 112⅞ | −0⅞ | +1 | 9.91 |
| Qantas Airways 10⅜ 95 | 140 | 106⅞ | 107⅜ | −0⅛ | +1½ | 9.21 |
| Quebec Hydro 11½ 92 | 100 | 109½ | 110 | +0⅛ | +1⅛ | 9.48 |
| Queensld. Gvt. 10⅛ 96 | 100 | 105⅛ | 105⅝ | 0 | +1½ | 9.33 |
| Ralston Purina 11⅜ 95 | 150 | 110½ | 111 | −0⅛ | +0⅛ | 9.90 |
| Saskatchewan 10⅜ 92 | 100 | 108 | 108½ | +0⅛ | +1⅜ | 8.93 |
| Saskatchewan 11⅞ 89 | 100 | 110 | 110½ | 0 | +1⅛ | 8.53 |
| Scandinavia Air 10⅜ 96 | 150 | 103½ | 104 | 0 | +1⅛ | 9.51 |
| Statoil 10 90 | 170 | 104½ | 105 | 0 | +1⅛ | 8.65 |
| S. Wales Trey. 11⅜ 90 | 150 | 108⅜ | 108⅞ | 0 | +1 | 8.93 |
| Swed. Exp. Cred. 10 92 | 100 | 105 | 105½ | +0⅛ | +1⅛ | 8.86 |
| Sw. Ex. Cr. 12⅜ 89 XW | 100 | 109⅝ | 110⅛ | +0⅛ | +1 | 9.33 |
| Sweden 10⅜ 92 | 250 | 106⅛ | 106⅝ | +0⅛ | +1½ | 8.94 |
| Sweden Kgdm. 10⅞ 90 | 200 | 107⅛ | 107⅝ | +0⅛ | +1⅛ | 8.85 |
| Sweden Kgdm. 11½ 89 | 200 | 108⅞ | 109⅜ | +0⅛ | +1 | 8.59 |
| Sweden Kgdm. 11⅜ 94 | 100 | 112⅛ | 112⅝ | +0⅛ | +1⅛ | 9.60 |
| Tenneco Cpn. 10⅜ 95 | [illegible] | 105⅜ | 106⅛ | +0⅛ | +1⅛ | 9.74 |
| Utd. Tech. Fin. 10⅜ 95 | 100 | 105⅜ | 106⅛ | −0⅛ | +1⅛ | 9.63 |
| Victorian Rep. 11⅜ 92 | 150 | 110⅛ | 110⅜ | +0⅛ | +1⅛ | 9.32 |
| World Bank 10⅛ 95 | 300 | 107⅛ | 107⅜ | +0⅛ | +2⅛ | 8.92 |
| World Bank 12⅞ 94 | 200 | 120⅜ | 120⅞ | +0⅛ | +2⅛ | 9.25 |

Average price changes... On day 0 on week +1⅛

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. Bank 8 94 | 200 | 106½ | 107⅛ | 0 | +0⅛ | 6.90 |
| Copenhagen 7⅜ 95 | 150 | 102⅜ | 103½ | 0 | 0 | 6.89 |
| Credit National 8½ 94 | 200 | 108⅛ | 109⅛ | −0⅛ | +0⅛ | 6.68 |
| Dow Chemical 6⅜ 95 | 300 | 102⅛ | 103 | 0 | 0 | 6.37 |
| EIB 6⅞ 95 | 300 | †102½ | 103 | 0 | +0⅛ | 6.48 |
| EIB 7⅛ 94 | 300 | 104 | 104½ | +0⅛ | +0⅛ | 6.59 |
| Embart Cpn. 6⅜ 95 | 175 | †98⅜ | 99⅛ | 0 | 0 | 6.89 |
| ESCOM 8 92 | 150 | 98⅛ | 98⅜ | −0⅛ | +2⅛ | 8.32 |
| Ex. Im. Bk. Korea 7⅜ 90 | 100 | 100⅜ | 101½ | −0⅛ | −0⅛ | 7.40 |
| Ferrovie Dello St. 8 91 | 100 | 104⅜ | 105½ | 0 | 0 | 6.78 |
| Finland Republic 7 92 | 200 | 102⅜ | 103½ | 0 | +0⅛ | 6.35 |
| Gould Int. Fin. 7⅜ 91 | 100 | 104½ | 105 | +0⅛ | +0⅛ | 6.54 |
| Ireland 8⅜ 92 | 150 | 105⅜ | 106½ | 0 | +0⅛ | 6.88 |
| I/S Elsam 6⅜ 93 | 125 | †97½ | 98 | +0⅛ | +0½ | 7.13 |
| Japan Fin. Con. 7⅜ 91 | 100 | 104⅛ | 105½ | +0⅛ | 0 | 6.53 |
| Mtsbshi. M. 3⅛ 89 WW | 100 | 108⅜ | 108⅞ | −0⅛ | −0⅛ | 1.44 |
| Mtsbshi. M. 3⅛ 89 XW | 100 | 92⅛ | 93 | 0 | −0⅛ | 5.30 |
| Quebec-Hydro 7⅜ 95 | 200 | 104⅛ | 105 | +0⅛ | +0⅛ | 6.44 |
| Renfe 7⅜ 95 | 100 | 104⅜ | 105⅛ | 0 | +0⅞ | 7.00 |
| Soc. C. Nuclear 7⅜ 95 | 150 | 102⅛ | 103 | 0 | +0⅛ | 6.85 |
| Soc. C. Nuclear 8 91 | 100 | 104⅞ | 105⅜ | 0 | −0⅛ | 6.79 |
| S. Africa Tran. 7⅜ 92 | 100 | 92⅛ | 92⅞ | 0 | +0⅛ | 9.15 |
| World Bank 7 95 | 800 | 103⅛ | 103⅜ | +0⅛ | +0⅛ | 6.48 |

Average price changes... On day 0 on week +0⅛

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield |
|---|---|---|---|---|---|---|
| Avco. Cap. Cpn. 5⅜ 94 | 130 | †101⅛ | 102 | +0⅛ | +0⅛ | 5.10 |
| Br. Land. Comp. 6½ 99 | 75 | *†105½ | 105⅜ | +0⅛ | +0⅛ | 5.89 |
| Council of Europe 6 92 | 120 | †105 | 105⅜ | +0⅛ | +2 | 6.08 |
| Creditanstalt 5½ 94 | 100 | †101½ | 101⅜ | +0⅛ | +0½ | 5.26 |
| Deutsche Bk. 5⅜ 95 | 100 | †104½ | 104½ | 0 | 0 | 4.72 |
| EIB 5⅞ 94 | 120 | †103½ | 103⅜ | +0⅛ | +0½ | 5.34 |
| Gen. Occidentale 4½ 94 | 80 | †107 | 108 | +0⅛ | −1⅛ | 3.50 |
| Glendale F. S&L 5½ 95 | 100 | †99 | 99⅛ | 0 | 0 | 5.82 |
| Ind. F. Finland 5⅜ 94 | 40 | †101⅛ | 102 | −0⅛ | −0⅛ | 5.47 |
| Int. Am. Dv. Bk. 6⅜ 94 | 120 | *†103½ | 104 | −0⅛ | −0⅛ | 5.57 |
| N. Zealand Steel 5⅜ 96 | 70 | †100⅜ | 101 | −0⅛ | +0⅛ | 5.86 |
| Oberos. Kftwk. 5⅜ 95 | 100 | †102 | 103 | +0⅛ | −0⅞ | 5.02 |
| Olivetti Intl. 5½ 95 | 100 | †102⅜ | 103 | 0 | +0½ | 5.10 |
| Pepsico 5⅜ 95 | 130 | †102 | 102⅛ | −1 | −1 | 4.95 |
| Ralston Purina 5⅜ 94 | 125 | †102½ | 102⅞ | −0⅛ | −0⅛ | 4.99 |
| Santos Finance 6 94 | 130 | *†100½ | 100⅞ | −0⅛ | −0⅛ | 5.90 |
| Tokyo Elec. Pr. 5½ 93 | 120 | †103 | 103⅛ | 0 | +0⅛ | 4.95 |
| Tokyo Metropolis 5⅜ 94 | 80 | †102 | 102⅜ | −0⅛ | +0⅛ | 4.91 |
| World Bank 5⅜ 94 | 150 | †104 | 104⅛ | −0⅛ | +1⅛ | 5.15 |

Average price changes... On day +0⅛ on week +0⅛

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield |
|---|---|---|---|---|---|---|
| Allied-Signal 6⅜ 93 | 20 | 99⅛ | 99⅜ | +0⅛ | +0⅛ | 6.86 |
| Caisse Nat. Tel. 6⅜ 92 | 25 | 99½ | 100 | 0 | +0⅞ | 6.29 |
| Ford Motor Cred. 6⅜ 91 | 20 | 99½ | 100 | 0 | +0⅛ | 6.81 |
| Mt. Bk. Denmark 7 92 | 10 | 102⅞ | 102⅞ | +0½ | +0⅛ | 6.52 |
| Transamerica F. 6⅜ 91 | 10 | 98⅞ | 99⅛ | −0⅛ | +0⅛ | 6.94 |

Average price changes... On day 0 on week +0½

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | week | Yield |
|---|---|---|---|---|---|---|
| Barclays Au. 12⅜ 90 A$ | 50 | 93 | 94 | +0⅛ | +0⅛ | 14.61 |
| Creditanstalt 12⅞ 90 A$ | 50 | 97⅛ | 98⅛ | +0⅛ | −0⅛ | 13.35 |
| Pepsico C. R. 13 90 A$ | 50 | 99⅞ | 100⅜ | −0⅛ | −0⅛ | 12.89 |
| Swed. Ex.-Cr. 13 88 A$ | 40 | 97⅛ | 98⅜ | 0 | +0⅞ | 13.75 |
| Amex 10⅜ 90 C$ | 50 | †101 | 101½ | −0⅛ | +0⅛ | 10.34 |
| Canad. Pac. 10⅜ 90 C$ | 75 | †99⅜ | 100⅜ | −1⅛ | −0⅞ | 10.31 |
| CIBC 10⅜ 90 C$ | 75 | †100⅛ | 100⅝ | 0 | +0⅛ | 10.61 |
| Genstar Fin. 11⅜ 95 C$ | 75 | †101⅛ | 102⅜ | −2⅛ | −1⅛ | 11.37 |
| Montreal 11½ 95 C$ | 75 | †103 | 103½ | +0⅛ | +1 | 10.90 |
| Ryl. Trustco 10⅜ 90 C$ | 75 | †97 | 97⅜ | 0 | −0⅛ | 11.12 |
| Sears Acc. 10⅜ 92 C$ | 75 | †100⅛ | 100⅜ | 0 | +0⅛ | 10.49 |
| Coca-Cola F. 17 90 NS | 75 | 103⅛ | 105 | 0 | +0⅛ | 15.49 |
| Kredtbk. Lux. 17 88 NS | 70 | 99⅛ | 100⅛ | 0 | +0⅛ | 16.91 |
| Nordic I. Bk. 18 88 NS | 50 | 98½ | 99½ | 0 | 0 | 18.38 |
| Copnhagn. C. 9 95 Ecu | 40 | 99⅛ | 100 | +0½ | +0⅛ | 9.04 |
| Eutelsat 9 93 Ecu | 60 | 99⅜ | 100⅛ | −0⅛ | −0⅛ | 9.01 |
| Walt Disney 8⅜ 94 Ecu | 63 | 99⅛ | 100⅛ | −0⅛ | +0⅛ | 8.77 |
| Honda WW 3⅞ 90 Fl | 100 | 105½ | 106⅛ | 0 | 0 | 2.47 |
| Honda XW 3⅞ 90 Fl | 100 | 90⅜ | 91⅛ | −0⅛ | −0⅛ | 6.49 |
| Thyssen 7⅜ 90 Fl | 50 | 102½ | 103 | 0 | −0⅛ | 6.52 |
| Wereldhave 7½ 90 Fl | 75 | 102½ | 103 | 0 | −0⅛ | 6.75 |
| Wessanen 6⅜ 90 Fl | 50 | 100½ | 101 | 0 | −0⅛ | 6.54 |
| Remy Mrtn. 10⅞ 90 FFr | 250 | 101½ | 102 | +0⅛ | +0⅛ | 10.38 |
| Amev 11 93 £ | 50 | 98⅜ | 99⅛ | +0½ | +2 | 11.32 |
| Australia Com. 11 92 £ | 40 | 98⅞ | 99⅜ | +0⅛ | +1⅛ | 11.19 |
| EIB 11½ 93 £ | 50 | 101⅛ | 101⅝ | +0⅛ | +1⅛ | 10.83 |
| GMAC UK F. 10⅜ 90 £ | 30 | 98⅜ | 99⅛ | +0⅛ | +1⅛ | 10.82 |
| Imp. Ch. Ind. 11⅛ 95 £ | 75 | 98⅞ | 99⅜ | +0⅛ | +1⅛ | 11.38 |
| Imp. Ch. Ind. 10⅜ 92 £ | 75 | 97 | 97½ | +0⅛ | +1⅛ | 11.35 |
| McDonalds 10⅜ 90 £ | 40 | 100 | 100½ | +0⅛ | +1⅛ | 10.77 |
| Mtsbshi. F. HK 11 90 £ | 50 | 99 | 99½ | +0⅛ | +0⅛ | 11.21 |
| NSW Treasy. 10⅜ 92 £ | 60 | 96½ | 97 | +0⅛ | +0⅞ | 11.33 |
| Rank Xerox 11 92 £ | 40 | 97½ | 98⅛ | +0⅛ | +0⅞ | 11.50 |
| Royal Ind. 10⅜ 92 £ | 60 | 96⅞ | 97⅛ | +1⅛ | +1⅞ | 11.43 |
| J. Sainsbury 10⅞ 93 £ | 60 | 96⅞ | 97⅛ | +0⅛ | +1⅛ | 11.48 |
| Tricentrol XW 11 92 £ | 35 | 84⅞ | 86⅛ | −0⅛ | −1⅛ | 14.60 |
| Tsthse. Forte 11⅛ 90 £ | 50 | 98 | 98½ | +0⅛ | +0⅛ | 11.65 |
| World Bank 11⅛ 95 £ | 100 | 101½ | 101⅞ | +0⅞ | +1⅛ | 10.86 |
| COE 8⅞ 95 LFr | 600 | 98⅛ | 99⅛ | 0 | +0⅛ | 9.00 |
| N. Lux. AL 10½ 92 LFr | 600 | 103½ | 104½ | 0 | +0⅛ | 9.83 |

| FLOATING RATE NOTES | Spread | Bid | Offer day | week | Yield |
|---|---|---|---|---|---|
| Abbey Natnl. 5 2000 £ | 0⅛ | 99.35 | 99.40 | 15/1 | 11⅛ |
| Anglia Bldg. S. 5 98 £ | 0⅛ | 99.73 | 99.78 | 14/4 | 11⅛ |
| Bankers Trust 5 2000 | 0⅛ | 100.18 | 100.28 | 11/3 | 8.31 |
| BFCE 5⅛ 99 | 0⅛ | 100.06 | 100.16 | 13/3 | 8⅛ |
| BNP 5⅛ 95 | 0.05 | 101.18 | 101.28 | 10/1 | 8.69 |
| BNP 5⅛ 99 | 0⅛ | 100.07 | 100.17 | 22/3 | 8⅛ |
| Britannia 5 93 £ | 0⅛ | 99.77 | 99.82 | 8/4 | 11½ |
| CCF 5⅛ 97 | 0 | 99.26 | 99.36 | 5/4 | 8.06 |
| Citicorp 5 2005 | 0⅛ | 99.42 | 99.52 | 25/2 | 8.29 |
| Citicorp 5 2035 | 0.225 | 98.73 | 98.83 | 27/1 | 8.23 |
| Credit Lyonnais 5⅛ 96 | 0⅛ | 100.63 | 100.73 | 11/4 | 8½ |
| Credit Lyonnais 5 2000 | 0⅛ | 100.12 | 100.22 | 10/1 | 7.94 |
| EEC 5 90 | 0⅛ | 99.76 | 99.83 | 8/7 | 8.06 |
| ENEL 5 2000 | 0⅛ | 99.94 | 100.04 | 10/3 | 8⅛ |
| Ireland 5⅛ 97 | 0⅛ | 99.81 | 99.91 | 28/2 | 8.44 |
| Lloyds Bank Perp. | 0⅛ | 100.04 | 100.14 | 9/6 | 8½ |
| Midland Bk. Perp. 5 | 0⅛ | 100.12 | 100.22 | 19/6 | 8⅛ |
| NatWest Perp. A | §0⅛ | 100.15 | 100.25 | 9/7 | 8.31 |
| NatWest Perp. B | §0⅛ | 100.11 | 100.21 | 10/2 | 8⅛ |
| Prudential Cpn. 4 95 £ | 0.1 | 99.41 | 99.51 | 5/3 | 11.78 |
| R. Bk. Scotland 5 Perp. | 0⅛ | 99.90 | 100.00 | 11/6 | 8.44 |
| R. Bk. Scot. 5⅛ 2005 £ | 0⅛ | 99.21 | 99.31 | 4/2 | 11⅛ |
| Societe Generale 5⅛ 97 | 0⅛ | 100.05 | 100.15 | 18/3 | 8⅛ |
| United Kingdom 5 92 | 0 | 99.96 | 100.04 | 7/7 | 8.06 |
| Woolwich 5 95 £ | 0⅛ | 99.53 | 99.56 | 19/2 | 11.69 |

Average price changes... On day −0.01 on wk. +0.00

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| Ajinomoto 3 99 | 4/84 | 1053 | 156 | 157 | +1⅛ | 9.64 |
| Comcast 7 2000 | 12/85 | 23.87 | †114½ | 115½ | +0½ | 16.94 |
| Fanuc 3⅜ 98 | 1/84 | 7032 | 204½ | 206⅞ | −2⅛ | 81.89 |
| Fuji Hvy. Inds. 3 2000 | 8/85 | 676 | 96⅛ | 97⅛ | −0⅛ | −2.80 |
| Fujitsu 3 99 | 5/84 | 1320 | 104 | 105 | −0⅛ | 11.87 |
| Kumagai Gumi 3½ 2000 | 3/85 | 600 | 218⅛ | 220½ | −1½ | 9.49 |
| Marui 3½ 99 | 7/84 | 1162 | 193⅛ | 194½ | −2⅛ | −1.00 |
| Minolta Camera 2⅜ 94 | 2/86 | 1106 | †98 | 99 | 0 | 20.01 |
| Mitsubishi Bank 2⅞ 00 | 8/85 | 1768 | 113⅛ | 114⅛ | −0⅛ | −0.45 |
| Mitsubishi Elec. 2⅞ 00 | 3/85 | 422 | 109⅛ | 110⅛ | −1½ | −2.81 |
| Murata 3½ 2000 | 7/84 | 2398 | 133⅛ | 134⅛ | −0⅛ | 16.65 |
| Nippon Elec. 2⅞ 2000 | 1/85 | 1295 | 126⅛ | 127⅛ | −2 | 30.77 |
| Nippon Oil Co. 3 2000 | 5/85 | 923 | 128⅛ | 129½ | −2⅞ | −3.02 |
| OKI Elec. Ind. 3½ 99 | 10/84 | 805 | 110½ | 111½ | −0⅛ | −1.27 |
| Sanwa Bank 2⅜ 2000 | 10/85 | 1488 | 119 | 120 | −2⅛ | −0.72 |
| Sekisui House 3 99 | 6/84 | 612 | 181½ | 183 | −1 | 1.06 |
| Sumitomo Bk. 2⅜ 2000 | 8/85 | 2142 | 108⅛ | 109⅛ | −0½ | 1.93 |
| Sumitomo Cpn. 2⅞ 99 | 5/84 | 583 | 159⅛ | 160⅛ | −0⅛ | −0.48 |
| Taiyo Yuden 3⅜ 2000 | 3/85 | 1078 | †120 | 122 | −2 | −3.42 |
| Takeda Rkn. 3⅜ 2000 | 10/84 | 7863 | †103½ | 105½ | −1 | 8.89 |
| Tokyo S'yo El. 3½ 99 | 12/84 | 772 | 107½ | 108½ | −1⅛ | 8.08 |
| Toshiba Crmcs. 3 2000 | 4/85 | 1734 | 108 | 109 | −1 | −3.71 |
| Nippon Oil 2⅜ 92 SFr | 3/84 | 1052 | †105 | 108 | −1 | 16.21 |
| Nip. Shinpan 2 92 SFr | 3/84 | 801 | †143 | 144 | +0⅛ | 12.72 |
| Asics 5 92 DM | 12/83 | 520 | 106⅛ | 107⅞ | −0⅛ | 14.28 |
| Renown 3⅜ 90 DM | 3/85 | 675 | 108⅛ | 109⅛ | −3 | −6.16 |

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

# UK COMPANY NEWS

Charles Batchelor and Raymond Snoddy on the £753m bid for Granada

## Why Rank suddenly pounced

MR MICHAEL GIFFORD, chief executive of the Rank Organisation, says he had not immediate plans to launch a takeover bid for Granada Group when he and Rank chairman Sir Patrick Meaney lunched with Mr Alex Bernstein, the Granada chairman, on Monday.

True, Rank and Granada had discussed the possibility of developing their mutual interests since as early as 1984 and Rank had begun seriously planning for a bid last August. But no firm date had been pencilled in for an offer to be made.

Gifford says the two sides at the lunch discussed in general terms whether Granada was still interested in finding a marriage partner following the breakdown last month of merger talks with Ladbroke Group. But, says Gifford, Bernstein did not encourage this idea.

However, Rank's plans rapidly took on more concrete form when Gifford arrived at the City offices of Morgan Grenfell, who had been signed up because S.G. Warburg, Rank's usual merchant bank, was also retained by Granada.

Between Gifford's leaving Granada's Golden Square offices and reaching Morgan's the Granada share price had leaped 12p. The market was on to something.

Gifford, the man brought in to revive a faltering Rank by disgruntled institutions in September 1983, decided to go ahead with the bid.

If successful, it will underline the strong recovery at Rank, which just three years ago seemed set on a course of rapid decline.

Rank will, however, have to overcome notonly a determined defence from Granada but also possible objections from the Independent Broadcasting Authority which closely monitors the ownership of the commercial TV stations.

Gifford resists the idea that the £753m takeover bid for Granada is a landmark in the company's development. He prefers to regard it as "just getting on with the business." He insists that, while Granada represents an opportunity Rank could not ignore, earnings will go on growing without it.

The benefits Rank is seeking should come in four main areas:

● Marketing. Rank's holiday operations—Butlins, OSL, Blue Sky—cater for 2m customers a year while Granada has a similar number of TV and video rental contracts. Holidays could be sold to the customers of Granada's 650 High Street rental outlets while Rank could promote TV rental alongside its holidays.

"I've rented a TV set from Granada for years and I've never been sent one piece of promotional literature about their other services," says Gifford, as if to emphasise the personal element in even the largest of deals.

● Industrial. Granada sells TV programmes around the world to TV and cable channel operators while Rank does the same with films. The two operations could benefit from each other.

Rank's famous Pinewood film studios are not fully booked and could be used for Granada productions. In addition, Rank already does processing work for Granada's Manchester studios. These links could be strengthened.

● Technological. Any benefits here may be some years coming but Rank claims to be the only company to have successfully converted film images into high definition TV images—to give big screen picture quality in your front room.

● Financial. Rank's leisure businesses already generate a fair amount of cash though some of this has gone into upgrading existing businesses such as Butlins and in a stream of small acquisitions.

Granada's TV rental business would add substantial cash flows to those of Rank to help fund a continuing acquisition programme both in the UK and in the US, where Rank is keen to expand. Another UK acquisition, though not on the scale of the Granada bid, is expected shortly.

Ambitions n this scale would have been unthinkable just three years ago. Two decades of misconceived diversification had taken Rank, once Britain's largest film producer and cinema owner, into records and hi-fi, TV and radio manufacturing, property and foreign hotels.

As the profits of Rank's "managed businesses" declined the company came to depend more and more on earnings from its 49 per cent stake in Xerox, the photocopier manufacturer.

Then Xerox started to run into increasingly tough competition from Japanese manufacturers and even this prop seemed in danger of being kicked away.

When Rank announced a sharp fall in pre-tax profits from £102.8m to £61.9m in the year ended October 1982, and a cut in its dividend, pressure for change began to build up from a dozen leading major shareholders, headed by Prudential Assurance, Robert Fleming, the merchant bank, and the Post Office pension fund.

Gifford was brought in after a four-month search from Cadbury Schweppes, where he had been finance director. Rank now has its offices in the same side street as Cadbury near Marble Arch and Gifford's old office at Cadbury is Rank's lunch room.

A month later Sir Patrick, chief executive of Thomas Tilling until it was acquired by BTR, and already a non-executive director of Rank, was made chairman.

The new team began disposing of the less desirable parts of the company and sold off £160m worth of property holdings. Even more importantly the core businesses were made more profitable by the refurbishment of hotels and improvements in the product range at motorway service stations.

Both the film and holiday businesses have remained vulnerable however. The former is very dependent on the making of popular films; the latter on the swings of the price war between the operators.

Even so pre-tax profits improved to £137m in 1984-85—more than double the 1981-82 level and Rank's market capitalisation has risen from a 1982 low of £200m to around £1.1bn yesterday.

For its part Granada denied there was any industrial or marketing logic to a takeover by Rank, or that its earlier merger talks with Ladbroke meant it was effectively "up for sale."

Mr Bernstein was scathing of the Rank argument that a merged group could sell to each others customers.

"It's ridiculous to have a takeover bid of this sort of scale to get a mailing list."

The only areas where the two businesses touch is in the running of motorway service stations and bingo halls and in both areas, Mr Bernstein said the Office of Fair Trading might be interested in any such link.

The Granada strategy was to build up businesses which were leaders in their sectors. This was not true of Rank, Mr Bernstein argued. "They are in a secondary position in almost every area they operate in," he claimed.

Mr Bernstein said Rank was a fragmented industrial company which had been selling off "the family silverplate" and which had got out of all creative work in the cinema.

"We don't see anything they can bring to the party. The bid is part of the fashion of size for size sake," the Granada chairman said.

Before the talk of "getting together" at Monday's lunch most of the conversation had been about the skiing holiday Mr Bernstein was planning to take.

Now because of what Mr Bernstein called "the indigestible pudding" unexpectedly produced during the dessert the skiing holiday has had to be cancelled.

See Lex

DIVISIONAL PERFORMANCE ANALYSIS FOR 1984/85 YEAR

| Granada Group | Turnover | Operating profit | Rank Organisation | Turnover | Trading profit |
|---|---|---|---|---|---|
| Division | (£m) | (£m) | Division | (£m) | (£m) |
| TV, video rental & retail | 397.5 | 48.2 | Film & TV services | 119.1 | 11.0 |
| TV* | 176.4 | 11.5 | Holidays & recreation | 245.2 | 17.5 |
| Bingo & cinemas | 38.2 | 7.4 | Hotels & catering | 162.9 | 15.4 |
| Motorway services | 110.1 | 5.7 | Precision industries | 73.3 | 11.5 |
| Properties | 4.9 | 3.9 | North America | 38.7 | 3.6 |
| Insurance | 21.1 | 5.5† | Australia/Asia | 27.1 | 2.2 |
| Other | 9.0 | 5.3† | Unallocated | 0.9 | 0.2 |
| Total | 757.2 | 65.9 | Total‡ | 667.2 | 67.9§ |

*Includes Granada Television International. †Loss. ‡For continuing businesses. §Includes £6.5m of cinema disposal profits.

## Receiver goes in at troubled ICC Oil

By Lionel Barber

ICC Oil Services, the USM-listed building and engineering group, yesterday went into receivership.

Pritchard Services, the cleaning and maintenance group, which owns 45.7 per cent of ICC, immediately put out a statement, noting that its shareholding had a book value of £7.46m. The figure includes Pritchard's estimated share of ICC's losses for the financial year ending next month.

Pritchard said it had also supported ICC by extending loans of £2.35m and had provided guarantees for up to a maximum further £500,000 borrowings, all secured. In certain circumstances, it would be prepared to take part in a financial reconstruction of ICC, Pritchard said.

In recent weeks, there has been market speculation about a possible merger between Pritchard and Brengreen Holdings, another cleaning and maintenance group.

Mr David Evans, chairman of Brengreen, said he had spoken "from time to time" with Pritchard, but rumours of an imminent merger were purely speculative. He said that the failure of ICC had been widely expected within the industry. "It does not affect Brengreen's intentions either way," he said.

Last November ICC, a fast expanding and acquisitive company between 1982-84, declared sharply reduced pre-tax profits to the end of March 1985 of £276,000, down from £1.06m. The company's difficulties lay partly in a construction contract involving Milford Haven refinery.

The plan was to pull it down and then refurbish and re-assemble it in the United Arab Emirates. But, after a substantial outflow of working capital, Pritchard supported ICC through £1.85m loan facilities.

Last November, Pritchard was reported to have lost £5m on its stake, having sold companies to ICC for shares priced at over 30p in August 1983. ICC's shares stood last November at 10p.

### First Security

British Car Auctions yesterday disclosed that it had built up a stake of 6.2 per cent in First Security, the automotive safety and fire detection equipment group. The news sent First Security's shares rising to close at 135p, up 7p on the day. BCA dropped 1p to close at 23p.

### Hillsdown

Hillsdown Holdings, the acquisitive food manufacturer, yesterday said it had bought 7.25 per cent of Brown & Jackson, the diversified construction, commodity trading and toiletries group. Mr D. B. Thompson, Hillsdown chairman, has also bought 50,000 ordinary B&J shares (0.25 per cent).

## United Biscuits lifts stake in Imperial to 14.9%

BY MARTIN DICKSON

United Biscuits, which on Monday launched a £2.5bn takeover bid for Imperial Group, yesterday increased its stake in the tobacco, brewing and food company to 14.9 per cent. The move came as Imperial's board appeared to be moving closer to a recommendation of the United offer, which topped a hostile £2.3bn bid from Hanson Trust.

United, which picked up about 8.7 per cent of Imperial's shares in a market raid on Monday, bought a further 46.4m shares yesterday to lift its holding to 14.9 per cent. This is the maximum it can acquire without providing a full cash alternative to its offer, which is only partly cash underwritten.

All the shares were purchased at 320p, so the holding will have cost United £362m.

Imperial has formally reserved judgment on both the Hanson and United bids, but makes little secret that it is favourably inclined towards the United offer. This was launched in place of a merger, via a bid by Imperial for United, which was referred to the Monopolies Commission last week.

Mr Geoffrey Maitland Smith, deputy chairman of Imperial and a non-executive director, headed a team which met yesterday with Sir Hector Laing, the chairman of United, to try to flesh out terms that could be recommended by the Imperial board. Issues discussed apparently included employment guarantees, pensions and the structure and composition of the top management.

Under United's plans, Sir Hector would become chairman and chief executive of the combined group immediately, rather than waiting until 1987, when Mr Geoffrey Kent, the Imperial chairman, is due to retire. Mr Kent would become a non-executive director. This seems acceptance to the Imperial side.

However, the gap between the United and Hanson offers narrowed yesterday as United's share price, which fell 10p on the announcement of the bid, dropped a further 6p to close at 226p. At that price its offer of ordinary shares, preferred shares and cash is worth 323p for each Imperial share.

Hanson's share price closed last night at 147p, down 1p on the day, valuing its shares and cash offer at 300p. Imperial closed at 316p, down 6p.

Hanson, which is expected to try to talk down the United share price, said yesterday that it was difficult to see what United, with its "extremely generous terms," thought it was going to be able to do for Imperial.

## Guinness and DCL look for way out of referral

BY DAVID GOODHART

SENIOR executives of both Guinness and Distillers were last night locked in meetings considering the possibility of a fresh bid which would avoid reference to the Monopolies Commission.

Despite the fact that Guinness's £2.2bn bid for Distillers was referred last Friday, both companies have been encouraged by the belief that the latest £2.56bn bid by United Biscuits for the Imperial Group will not be referred. The earlier Imperial-United Biscuits merger was referred, but UB said, presenting the latest bid, that it successful it would sell-off Imps' Golden Wonder subsidiary, thus reducing the joint share of the snacks market.

A rearrangement of the Guinness bid for Distillers to reduce the joint market and production share in Scotch whisky would be more difficult than the Imps-UB reshuffling. One solution would be for Guinness to sell Bell's, acquired only last year for over £350m, but last week the Guinness camp was strongly denying it would consider this.

Mr Roger Seelig, of Guinness's merchant bank Morgan Grenfell, refused to comment last night on market speculation of a revised offer valuing Distillers at near £7 a share. However, he regarded the latest UB deal as "excellent news."

The Takeover Panel ruled yesterday that next Friday would be treated as day 39 in Argyll's rival bid for Distillers. This has given Guinness and Distillers a little more time in which to try to work out a deal.

Distillers yesterday advised shareholders that it would be writing to them no later than Friday.

## Armstrong Equipment in £5m deal

Armstrong Fastenings, a subsidiary of Armstrong Equipment, has bought Glynwed Fastenings for £5m cash in a deal which makes it the largest fastenings manufacturer in the UK, Armstrong claims.

Mr J. Harry Hooper, chairman of Armstrong Equipment, said that the company would continue under its existing management team on a "fully autonomous basis." But he added that it would be a considerable addition to the fastenings division of Armstrong Equipment.

Glynwed Fastenings, part of Glynwed International, forms about 50 per cent of the engineering division.

Mr T. M. Forsyth, chief executive of Glynwed Engineering, said that the division had reviewed its business strategy and decided to reduce its dependency on fastener production.

## Warning on second half outlook depresses Sigmex

Sigmex International, the electronic engineer which came to the USM last December, yesterday saw its shares fall below the 101p placing price to 97p on a warning that difficult market conditions might depress its second-half performance.

*Profits for the first half to end-December 1985 rose from £42,000 to £333,000 pre-tax, in line with expectations, on turnover of £5.54m (£3.92m).* The result was after charging start-up costs on the new systems company and interest charges of £221,000 (£115,000). These were especially high pending the receipt of the new capital from the placing.

Mr John Massey, the chairman, says that conditions in the UK are difficult, with customers still expressing uncertainty about their short-term requirements. This has led to a deterioration in the company's ability to predict short-term sales in the area.

"If this state of affairs continues," he adds, "the directors will be forced to take a more cautious view of the outcome for the year as a whole."

In the last full year profits *came to £1.16m on £11.86m sales.*

The company also announced two new contracts—the German offshoot has won an order from the German Bundespost worth £1.5m, and there is also an office electronic machinery deal with a European computer manufacturer.

There is no interim dividend, but the company confirms that it will recommend a final of 0.53p per share. Earnings per share at the interim stage came to 3.74p (0.46p), after a tax charge of £102,000 (£14,000). Attributable profits were £231,000 (£28,000).





## Bullers' cost cutting starts to pay off

Bullers, the Stoke on Trent-based ceramics manufacturer formerly known as AI Industrial Products, saw pre-tax profits double in 1985, following the programme of reorganisation and cost-cutting.

Profits came to £507,000 against £254,000, and the company is to pay a final dividend of 1p for a 1.5p total—the first annual dividend since 1982. At the interim stage, it paid off the arrears on the preference shares.

Reflecting the sale of its high tension division last March, turnover fell to £7.82m (£12.73m), but sales costs (£6.49m against £10.08m), operating expenses (£1.57m against £2.28m) and interest (credit £45,000 against charge £187,000) were all greatly reduced.

Mr John Briggs, the chairman, says that on-going activities showed an improving trend, and that the acquisition of Crummles, a manufacturer of hand painted enamel boxes, forms the nucleus of a ceramics products division.

He hopes that this will achieve substantial growth in the future.

Overall, he is looking for continuing growth in the current year, both from improvements in existing activities and profitable investment in new businesses.

After a tax charge of £74,000 (£2,000) profits came out at £477,000 (£43,000) for earnings of 3.79p (2.58p). An extraordinary credit of £44,000 (charge £43,000) represents profits on the disposal less acquisition costs. After dividends costing £146,000 (nil) and a £15,000 (£18,000) transfer from reserves, the company retains £283,000 (£227,000).

Mr Briggs says that the company started the second half with a strong liquid position. It is to seek shareholders' approval for the cancellation of the share premium account of £338,000 to eliminate the £342,000 goodwill included in the Crummles purchase price.



## PPL joining the SE with £9m market value

BY LUCY KELLAWAY

PPL, a leading maker of software packages, is joining the stock market with a value of £8.9m following a placing of shares by J. Henry Schroder Wagg.

The placing of 2.1m shares at 145p each will raise about £600,000 for existing shareholders, and about £2m for the company, which will be used to reduce borrowings, and to finance future growth.

The company designs, produces and markets software packages for both mainframe and microcomputers and supplies turnkey microcomputer solutions.

It claims to be the leading independent UK supplier of business software packages, some of which are bought in from independent suppliers and others developed internally.

The prospectus, published today, states that the UK software market is forecast to grow at a rate of 25 per cent over the next five years. Packaged software is expected to shore in the growth.

The company was established in 1970, since when turnover and profits have grown continuously to reach £9m and £735,000 respectively in the year to September 1985.

At the placing price the shares are on a p/e of 12.8 (after a 28 per cent tax charge), and yield 2.5 per cent.

Brokers to the issue are Cazenove, and dealings are expected to start on February 24.

F. COPSON'S directors have noticed the recent sharp rise in the company's share price but know of no reason for this.

HAMBROS' shareholders have approved the proposals to acquire Bairstow Eves, the estate agent chain.

## United Real Property at £2.57m

Pre-tax profits of United Real Property Trust, property investment and development company, were virtually unchanged at £2.57m for the half year ended October 5 1985. Net rental and service income was £2.49m, against £2.46m.

Tax took a lower £1.07m (£1.17m) and earnings per 25p share improved from 11.39p to 12.51p. The net interim dividend is 2p higher at 5p to reduce disparity—last year's final was 9p.

The company says its substantial cash resources continue to be invested in its development at 49-59 Victoria Street, SW, which has reduced the interest earning capacity. Subject to this, no significant change in the level of the group's activities for the remainder of the current year is expected.

UK LAND'S offer for Weber Holdings has become unconditional. Acceptances have been received in respect of 1.465m Weber shares (31.51 per cent) and 90.03 per cent of the shares for which the offer was made.

## NOTICE TO HOLDERS OF THE 7% US$ CONVERTIBLE DEBENTURES 1980/87 AND 7% US$ CONVERTIBLE DEBENTURES 1984/89 OF GOTTHARD BANK INTERNATIONAL LTD., NASSAU (BAHAMAS)

**Gotthard Bank International Ltd.**

The Board of Directors of Banca del Gottardo will propose to the Ordinary General Meeting of Shareholders to be convened on February 27, 1986, subject to the necessary approvals, that the present share capital of Sfr. 88 million be raised to Sfr. 96 million being 80'000 new bearer shares with a par value of Sfr. 100.– each and moreover that the present bearer participation certificate capital of Sfr. 24.75 million be raised to Sfr. 27 million being 22'500 new bearer participation certificates with a par value of Sfr. 100.– each.

It is proposed to offer for subscription the new shares to the present shareholders at the ratio of one new bearer share to 11 old bearer shares at the price of Sfr. 259.– per share and of one new bearer participation certificate to 11 old bearer participation certificates at the price of Sfr. 259.– per certificate.

All new shares and new bearer participation certificates shall be entitled to dividends as of January 1, 1986.

Provided the increases are carried out as proposed, the Conversion Amount of both the 7% US$ Convertible Debentures of Gotthard Bank International Ltd. will be increased with effect as of March 5, 1986 in conformity with the terms and conditions of the Debentures.

The new Conversion Amount for the Convertible Debentures 1980/87 will be 16.459 bearer participation certificates for each Debenture and for the Convertible Debentures 1984/89 the new Conversion Amount will be 24.135 bearer participation certificates for each Debenture.

The holders of the 7% US$ Convertible Debentures 1980/87 and of the 7% US$ Convertible Debentures 1984/89 of Gotthard Bank International Ltd. wishing to exercise their subscription rights are invited to exchange their Debentures for bearer participation certificates of Banca del Gottardo not later than Tuesday, February 25, 1986.

No Convertible Debentures will be exchanged for bearer participation certificates during the period from Wednesday, February 26, 1986 till but not including Tuesday, March 4, 1986.

Convertible Debentures not surrendered for the exchange by Wednesday, February 26, 1986 do not entitle the holder to subscribe new bearer participation certificates.

Nassau, February 11, 1986

# UK COMPANY NEWS

## Peachey ahead £1m but warns on second half

Peachey Property Corporation raised pre-tax profits by £1m to £5.84m in the six months to December 25, 1985, but with a second half slowdown expected, the full year result is predicted to be close to the previous year's £10.29m.

In the six months net rents increased by £1.56m to £5.26m, and net property investment income was up from £2.69m to £3.26m. Trading profits were £2.58m (£2.15m) and included the sale of 171 houses and maisonettes since the year end which largely concludes the residential sales programme.

Sir Charles Ball, the chairman, says that for the year as a whole, net rents will continue to increase reflecting new purchases and rent reviews, and net property income is expected to be in excess of that for the previous year. But on the company's current programme, trading profits for the second half will be lower, he warns.

Tax charge for the six months was £2.27m (£2.12m) giving a net balance up from £2.72m to £3.57m. Stated earnings per 25p share rose by 1p to 10.3p and the interim dividend is increased to 3.5p (3p) net costing £1.22m (£0.89m)—last year's final was 5p.

First-half turnover amounted to £9.01m (£8.73m) and comprised gross rents receivable of £5.74m (£3.98m) and trading property sales of £3.27m (£2.75m).

Interest receivable was £23,000 (£19,000) and other income came out at £33,000 (£187,000). Administration expenses were £20,000 lower at £742,000, but interest payable rose sharply from £451,000 to £1.32m.

Last month, the company acquired a freehold reversionary portfolio of 13 properties at a cost of £16.03m with an initial net rental income of £1.18m per annum. The portfolio is predominantly retail.

In October 1985, the company announced the placing of £20m of 10.75 per cent nominal first mortgage debenture stock 2015. The issue price was £98.433 per £100 nominal to yield 10.932 per cent per annum.

**● comment**

A good increase during the first half at Peachey has not altered prospects for a slight decline in pre-tax profits for the full year to about £10m. This is no reason for concern, however, as it has been well known for some time that trading profits will eventually dry up as Peachey unloads its old residential property portfolio. Although that has now happened, one happy side effect is that profits—now predominantly investment income—are of much higher quality. Peachey made some sound acquisitions over the last year, buying nearly £50m of mainly retail property at wholesale prices from institutions who have been busily tidying up their portfolios. The company knows how to spend selectively to suck the maximum out of these properties, and is also in active pursuit of further acquisitions. Peachey is well run and may deserve rather better than its 23 per cent discount to asset value based on yesterday's share price of 274p, and assuming assets per share at year-end of 355p.

## Expansion at Meadow Farm—full quote soon

CONSISTENT with its development strategy, Meadow Farm Produce has agreed to acquire Brierley Hill Meat Packers for £1.25m, to be satisfied by the issue of 802,410 shares.

Meadow Farm is a wholesale meat supplier quoted on the USM. In view of the growth since joining the USM, the directors intend to seek a full listing in the near future.

Brierley Hill is based in the West Midlands. It is engaged in processing whole sides of beef producing specialist cuts for retail butchers and food manufacturers.

In the year ended July 31 1985 Brierley Hill generated a turnover of £5.3m (£5m), and made pre-tax profits of £199,000 (£166,000). Net tangible assets were £319,000.

The vendors have stated their intention of holding a large majority of their share entitlement as a long-term investment.

Mr Raymond Nicklin, chairman and founder of Brierley Hill, will join the board of Meadow Farm under a five-year service agreement at an initial £40,000 per annum.

## Marked asset rise at F&C Eurotrust

At the end of December net asset value of F & C Eurotrust had risen to 187p, assuming full conversion of the convertible issue. This represents a 41.7 per cent increase over the 132p at June 30 and a 49.7 per cent lift on the 124.9p at the end of 1984.

Mr Patrick Crichton, chairman, says the upward movement seen in Europe's main stockmarkets in the first half of 1985 accelerated in the second. He goes on to say that prospects for 1986 look good, with steady economic growth and low inflation continuing, although a rise in stock prices should now be more sober than it was last year.

A percentage split of the portfolio shows: Germany 24.7, Netherlands 19.8, Switzerland 17.2, France 15.6, Italy 6.8, Belgium and Scandinavia 5 each, UK 2.4, elsewhere 3.7.

On the income side, much heavier interest charges took their toll and there was a loss per share of 0.5p, against earnings of 0.3p. Net revenue for the half year is not indicative of the total likely for the full year, Mr Crichton says, and he expects the 1.7p net dividend to be at least maintained.

Gross revenue came to £154,300 (£91,600) and interest payable to £143,900 (£34,900). Loss attributable was £38,600 (profit £20,100).

## Property sales boost for Mountleigh Group

With the help of property sales the Mountleigh Group of property investors and developers is looking for a substantial advance in profits for the year to April 30 1986 over the previous £2.54m.

The directors are raising the interim dividend from 2p to 3p net on capital increased by last September's placing and December's rights issue.

In the half year ended October 31 1985 the group has expanded its turnover from £7.68m to £17.56m and its pre-tax profit from £1.11m to £2.32m. The directors say this rate of progress is well in line with their expectations; they would expect property disposals to ensure that profits for the current six months substantially exceed the £2.32m reported.

The higher turnover reflects the increased commercial property activity and residential sales, says Mr Tony Clegg, chairman and chief executive. Sales and other income came to £15.3m (£5.73m) and investment rental income to £2.25m (£1.95m). Tax this time takes £480,000 (nil) to leave earnings at 25.45p (15.9p) basic and 23.2p fully diluted.

Mr Clegg reports that the Kensington High Street development is benefiting from the buoyant retail sector and the strong London residential market.

Land sales and the plans for the Dagenham estate are proceeding satisfactorily and the group intends to develop, subject to planning permissions, a retail park extending to some 30 acres.

The proposal to "build for lease" 650 houses in East Anglia continues to make good progress.

The first two phases were recently started of a four phase high tech development, Stafford Park, in the Telford enterprise zone. The first phase of 40,000 sq ft has been pre-let to the Inland Revenue and will be retained by the group. Response to the advance marketing of phase two is most encouraging, the directors state.

In the half year the group completed the acquisition of 17-22 Sloane Street, SW, which includes the Chelsea Holiday Inn, 11,300 sq ft of offices and five shop units. The receivable rental has already been increased by over 20 per cent to £550,000, and the chairman says further rental growth can be looked for in the medium term.

R. Hitchins & Company, a southern-based property group, was acquired in December for £28.4m in loan notes carrying 10 per cent annual interest and maturing at the end of 1988. Hitchins will strengthen the investment portfolio and, together with the existing residential activities, make a significant contribution to profits.

## Thorn EMI pays £2.7m for record retailer

Thorn EMI has acquired Revolver Records, an operator of a chain of record retailing outlets concentrated mainly in the Midlands. Price paid was £2.68m.

Revolver Records is one of the few remaining medium-sized independent record retailing chains. Its integration into Thorn EMI's HMV shops operation will considerably strengthen the group's coverage of the area.

The company was founded in 1978 and has 12 outlets. Three more are scheduled to open in the next year.

The purchase price is subject to downward adjustment depending on an audit of the company's net assets. It is being satisfied as to £1.48m cash and the issue of 275,559 fully paid ordinary shares of 25p each in Thorn EMI.

The HMV shops operation nationwide comprises of more than 40 outlets.

## Yearlings

The interest rate for this week's issue of local authority bonds is 12⅛ per cent, down ⅛ of a percentage point from last week, and compares with 12¾ per cent a year ago. The bonds are issued at par and are redeemable on February 25 1987.

A full list of issues will be published in tomorrow's edition.

## Polly Peck enhances HK stake

Polly Peck has incerased its stake from 25 to 50 per cent in the Hong Kong company, Shui Hing Knitting Factory, at a cost of £2.7m Shui Hing's founder, Mr Stanley Ho, holds the remaining 50 per cent.

Poly Peck, which inherited the original stake from Intercity, said yesterday that the investment represented an incerased commitment to the development of the group's business in the Far East. Shui Hing had a turnover of £23m in the year to March 1985.

The Friends' Provident Life office has acquired another 100,000 Polly Peck shares and announced that its stake is now 5.08 per cent.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corre-sponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| Beradin Holdings | 1.1 | April 7 | 1.4 | 1.1 | 1.4 |
| Bullers | 1 | May 2 | Nil | 1.5 | Nil |
| CSC Investment | 5.75 | April 25 | 5 | 9.35 | 8.5 |
| DPCE Holdings ...int. | 0.96† | April 7 | 0.8 | — | 3 |
| Jos Holdings ...¶int. | 1.15 | — | 1 | — | 3.7 |
| Mountleigh Group ...int. | 3† | April 7 | 2 | — | 6.5 |
| Pedang Senang | 1.1 | — | 1.4 | 1.1 | 1.4 |
| Peachey Property ...int. | 3.5 | April 28 | 3 | — | 8 |
| Peel Holdings ...int. | 2.75 | April 7 | 2.5 | — | 8 |
| Ricardo Engineers ...int. | 1 | April 11 | 0.88 | — | 2.75 |
| Throgmorton Sec. ...int. | 1 | April 4 | 1 | — | 3.75 |
| Utd. Real Property int. | 5 | April 10 | 3 | — | 12 |

Dividends shown in pence per share except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶Corrected.

## BOARD MEETINGS

TODAY

Interims:—Elders IXL, Grosvenor Square Properties, Harvey and Thompson, Raine Industries.

Finals:—British Kidney Patient Association Investment Trust, Crest Nicholson, Romney Trust, Updown Investment.

FUTURE DATES

Interims:—

| | |
|---|---|
| Farry Pickering | Apr 9 |
| Framlington Group | Mar 11 |
| Goodwin | Feb 28 |
| Jackson (William) | Feb 21 |
| Kleinwort Benson Eurobond Fd | Mar 6 |
| Shandwick | Mar 10 |
| TR City of London Trust | Feb 20 |

Finals:—

| | |
|---|---|
| Blagden Industries | Mar 4 |
| Commercial Union Assurance | Mar 5 |
| Hall Engineering | Mar 24 |
| Jacob (W. & R.) | Feb 27 |
| Marley | Feb 24 |
| Mount Charlotte Investments | Feb 25 |
| Stat-Plus | Mar 4 |
| Trencherwood | Feb 20 |

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3580 Wilshire Boulevard, Los Angeles, California 90010
Telephone: (213) 736-2038
ATTORNEYS FOR THE APPLICANT

**SUPERIOR COURT OF THE STATE OF CALIFORNIA FOR THE COUNTY OF LOS ANGELES**

INSURANCE COMMISSIONER OF THE STATE OF CALIFORNIA, Applicant
v.
MISSION INSURANCE COMPANY, a California Corporation, Respondent
No. C 572724
NOTICE OF HEARING ON APPLICATIONS FOR AUTHORITY TO REINSURE THE BUSINESS OF RESPONDENTS
Date: March 6, 1986
Time: 9.00 am
Dept 85 (for Actions C576323 and C576325)
Dept 86 (for Actions C572724, C576324 and C576416)

TO ALL INTERESTED PERSONS:
Please take notice that there is presently pending in Los Angeles Superior Court, State of California, Action No. C572724, entitled "Insurance Commissioner of the State of California, Applicant, v. Mission Insurance Company, a California corporation," Respondent herein. Also pending in the Los Angeles Superior Court, State of California are four related actions entitled: "Insurance Commissioner of the State of California, Applicant, v. Holland-America Insurance Company, a Missouri Corporation, Respondent," being Action No. C576323; "Insurance Commissioner of the State of California, Applicant, v. Mission National Insurance Company, a California Corporation, Respondent," being Action No. C576324; "Insurance Commissioner of the State of California, Applicant, v. Enterprise Insurance Company, a California Corporation, Respondent," being Action No. C576325; and "Insurance Commissioner of the State of California, Applicant, v. Mission Reinsurance Company, a Missouri Corporation, Respondent," being Action No. C576416.
Please take further notice that on March 6, 1986 at 9.00 am in Dept 85 of the above-entitled court in Actions No. C576323 and C576325 the Insurance Commissioner will move the Court for an order approving the Application for Authority to Reinsure the Business of Respondents named herein by Mission American Insurance Company pursuant to a letter agreement dated February 10, 1986.
Please take further notice that on March 6, 1986 at 9.00 am in Dept 86 of the above entitled court located at 111 North Hill Street, Los Angeles, California 90012, that in the within action and in Actions No. C576324 and C576416 the Insurance Commissioner will move the Court for an order approving the application for Authority to Reinsure the Business of Respondents named herein by Mission American Insurance Company pursuant to a letter agreement dated February 10, 1986.
Said applications are based upon the ground that good cause exists therefore. The applications are based upon this notice, the Applications for Authority to Reinsure the Business of Respondents by Mission American Insurance Company filed concurrently with notices in each of the above actions, the Memorandum of Points and Authorities attached to the applications, the records and files of the above actions, and other oral or documentary evidence which may be presented at the hearing of the applications.
For further information regarding the particulars of the applications, please contact: Joe A. Morton, Deputy Insurance Commissioner, Department of Insurance, State of California, 600 South Commonwealth Avenue, Los Angeles, California 90005. Telephone: (213) 736-3522.
Dated: February 13, 1986

RAYMOND B. JUE
Deputy Attorney General

## BASE LENDING RATES

| | | | |
|---|---|---|---|
| ABN Bank | 12½% | ■ Hambros Bank | 12½% |
| Allied Dunbar & Co. | 12½% | Heritable & Gen. Trust | 12½% |
| Allied Irish Bank | 12½% | ■ Hill Samuel | §12½% |
| American Express Bk. | 12½% | C. Hoare & Co. | 12½% |
| Amro Bank | 12½% | Hongkong & Shanghai | 12½% |
| Henry Ansbacher | 12½% | Johnson Matthey Bkrs. | 12½% |
| Associates Cap. Corp. | 12½% | Knowsley & Co. Ltd. | 13 % |
| Banco de Bilbao | 12½% | Lloyds Bank | 12½% |
| Bank Hapoalim | 12½% | Edward Manson & Co. | 13½% |
| Bank Leumi (UK) | 12½% | Meghraj & Sons Ltd. | 12½% |
| BCCI | 12½% | Midland Bank | 12½% |
| Bank of Ireland | 12½% | ■ Morgan Grenfell | 12½% |
| Bank of Cyprus | 12½% | Mount Credit Corp. Ltd. | 12½% |
| Bank of India | 12½% | National Bk. of Kuwait | 12½% |
| Bank of Scotland | 12½% | National Girobank | 12½% |
| Banque Belge Ltd | 12½% | National Westminster | 12½% |
| Barclays Bank | 12½% | Northern Bank Ltd. | 12½% |
| Beneficial Trust Ltd | 13½% | Norwich Gen. Trust | 12½% |
| Brit. Bank of Mid. East | 12½% | People's Trust | 13½% |
| ■ Brown Shipley | 12½% | PK Finans. Intl. (UK) | 13½% |
| CL Bank Nederland | 12½% | Provincial Trust Ltd. | 13½% |
| Canada Permanent | 12½% | R. Raphael & Sons | 12½% |
| Cayzer Ltd. | 12½% | Roxburghe Guarantee | 13 % |
| Cedar Holdings | 13 % | Royal Bank of Scotland | 12½% |
| ■ Charterhouse Japhet | 12½% | Royal Trust Co. Canada | 12½% |
| Citibank NA | 12½% | Standard Chartered | 12½% |
| Citibank Savings | ¶12½% | TCB | 12½% |
| City Merchants Bank | 12½% | Trustee Savings Bank | 12½% |
| Clydesdale Bank | 12½% | United Bank of Kuwait | 12½% |
| C. E. Coates & Co. Ltd. | 13 % | United Mizrahi Bank | 12½% |
| Comm. Bk. N. East | 12½% | Westpac Banking Corp. | 12½% |
| Consolidated Credits | 12½% | Whiteaway Laidlaw | 13 % |
| Continental Trust Ltd. | 12½% | Yorkshire Bank | 12½% |
| Co-operative Bank | *12½% | | |
| The Cyprus Popular Bk. | 12½% | | |
| Duncan Lawrie | 12½% | | |
| E. T. Trust | 13 % | | |
| Exeter Trust Ltd. | 13 % | | |
| Financial & Gen. Sec. | 12½% | | |
| First Nat. Fin. Corp | 13½% | | |
| First Nat. Sec. Ltd. | 13½% | | |
| ■ Robert Fleming & Co. | 12½% | | |
| Robert Fraser & Ptrs. | 13½% | | |
| Grindlays Bank | ‡12½% | | |
| ■ Guinness Mahon | 12½% | | |

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.70%. 1-month 9.80%. Top Tier—£2,500+ at 3 months notice 12.06%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8% gross.
¶ Mortgage base rate.
§ Demand dep. 8¾%. Mortgage 13¾%.

**ORANGE FREE STATE INVESTMENTS LIMITED**
(Incorporated in the Republic of South Africa)
Registration No. 85 05715 06

Application has been made to the Council of The Stock Exchange London for the undermentioned shares to be admitted to the Official List:

22515895 ordinary shares of 1 cent each

Details of the Listing Particulars relating to the above mentioned shares have been circulated by Extel Statistical Services.

Copies of the Listing Particulars will be available to the public for a period of 14 days from the date of this notice, during normal business hours, at the following addresses:

| | |
|---|---|
| Registered Office: | 44 Main Street<br>Johannesburg<br>South Africa |
| London Office: | 40 Holborn Viaduct<br>London EC1P 1AJ |
| UK Registrars: | Hill Samuel Registrars Limited<br>6 Greencoat Place<br>London SW1P 1PL |

Copies of the Listing Particulars will also be available for collection only for two business days following the date of this notice from:
The Company Announcements Office
The Stock Exchange
Throgmorton Street Entrance
London EC2P 2BT

19 February 1986

## UK COMPANY NEWS

# DPCE lifts dividend as interim profit nears £2m

HELPED BY interest on the proceeds of the rights issue of 12 months ago, DPCE Holdings, the independent computer maintenance group, has pushed up its pre-tax profit by 72 per cent for the half-year ended December 31 1985, from £1.12m to £1.93m.

The group made good progress in its operations, with all companies contributing. Turnover rose by 93 per cent to £10.72m while the operating profit thereon showed a 44 per cent rise to £1.51m.

Mr Colin Clive, chairman, says the UK and US operating companies were relocated to larger premises to prepare for further growth. The management teams in all countries were strengthened and four new contracts were started in the US, bringing the total there to five.

On prospects, the chairman tells shareholders that the group is in an excellent position to take advantage of the strong interest in independent computer maintenance, and continued growth is anticipated in the second half. For the year ended June 30 1985 the group made a pre-tax profit of £2.54m on turnover of £13.51m; interest received added a further £371,000.

Shareholders are to benefit with a 20 per cent rise in their interim dividend, from 0.8p to 0.96p net on the increased capital. The directors also propose a one-for-one scrip issue by capitalising £688,923 of share premium account.

In the half-year net interest receivable came to £428,000 (£75,000). UK tax requires £563,000 (£382,000) and overseas £242,000 (£51,000), and minorities take £33,000 (nil). This leaves an attributable profit of £1.1m (£690,000) for earnings of 8p (5.7p adjusted).

**● comment**

DPCE has consistently increased profits by 40 per cent, and this set of interims is no exception. Nonetheless the market treated it to a 17p rise to 465p. The capital raised from last year's rights issue has been ploughed into international expansion. In the States this has already paid off, with a profitable maintenance business offering plumper margins than in the UK. Four new contracts were won in this period and a fifth could be landed, which would double US turnover within weeks. European activities have proved more problematic, particularly in Holland, where the acquisition has required more effort and energy than expected. Nonetheless DPCE is still intent on European expansion and anticipates another significant European acquisition before summer. In the UK margins are under pressure but new contracts are rolling in and there is lots of scope within the established customer base. DPCE's chief problem is still one of persuading potential customers that independent computer maintenance is a viable alternative. This problem is compounded by the computer manufacturers' determination to do anything and everything they can to stop customer defections. The City expects profits of £4.4m for the year, suggesting a p/e of 24.7. DPCE still holds £7m or so from the rights issue and is looking for ways to spend it. In addition to the European acquisition, the company plans UK expansion into peripheral areas to complement its service.

# Moracrest advances to £2.2m

BY WILLIAM DAWKINS

Moracrest Investments, the development capital group, yesterday announced a 30 per cent rise in taxable profits for the year to last September, despite a tripling in provisions for bad investments.

Moracrest, equally owned by Midland Bank Equity, the clearer's unquoted investment arm, Prudential Corporation and Central Gas Pensions Funds, saw profits grow from £1.7m to £2.2m in 1985. The flotation and sale of investments brought in a £2.3m profit over book value, but provisions were raised by £1.5m, as against £516,000.

The group invested £2.2m in four companies last year, bringing the total portfolio to 23 ventures, worth £12.2m at cost. The disposals and provisions have reduced the directors' valuation of the portfolio from £15.1m to £13.7m, still a 48 per cent premium over book value. Shares were sold profitably in Fine Organics, a producer of organic chemicals which was taken over by Laporte Industries, and in Amari, a metal and plastics stockholder which joined the stock market in 1984.

Since the year-end Moracrest has made its first investment in a franchise operation, Serviceman Franchise, which is setting up a chain of motor service and repair depots in railway station car parks.

# Yorkshire Bank profit boosted by disposals

By Michael Cassell

Yorkshire Bank yesterday reported a 30 per cent rise in pre-tax profits from £34.4m to £44.7m for the year ending December 1985.

The Leeds-based bank, jointly owned by Barclays, NatWest, Lloyds and Royal Bank of Scotland, said profits were boosted by the sale of two leasing subsidiaries, Yorkshire Bank Industrial Leasing and Yorkshire Bank Leasing, which produced a net profit of £5.2m. Leasing business will continue through other subsidiary companies.

Total assets of Yorkshire, which now has 228 branches, increased by 10.2 per cent to £1.68bn and capital and reserves rose to £180.4m. The number of current accounts passed 1m for the first time and advances to customers were up by £106m to £928.7m.

The bank said that bad debt provisions were reduced from £10.7m in 1984 to £9.1m, partly reflecting the ending of the miners' strike and the easing of financial problems for many of the customers in mining communities.

The bank's annual review says that, one year ago, loans to miners were not being repayed, account balances were low and customers were living off their savings. Some business customers were also hit.

Yorkshire says it was "confident of the loyalty and integrity" of its mining customers throughout the dispute and that, by the end of 1985, most branches in the affected areas reported an almost complete recovery. Only a handful of loans to miners were still non-performing.

# Kwahu boosted by sale of Debenhams and Imps shares

MUCH HIGHER profits from investment disposals helped to push the Kwahu Company's pre-tax profits up by 56 per cent at six months.

Unusually large profits were realised from the London-based finance company's investment in Debenhams, which was taken over by the Burton Group, and in Imperial Group, currently the subject of bids from both Hanson Trust and United Biscuits.

However, the major contributor to the company's profits rise, from £88,106 to £137,260 for the half-year ended December 31 1985 was the profit realised on the disposal of its remaining investments in gold and mining finance.

These sectors accounted for 4.3 per cent of the portfolio at end-June 1985 and the directors say they considered that the portfolio should be deployed in other sectors of the market.

The second half of the year is not expected to produce a repetition of the exceptionally high profits on disposal of investments. However, in view of the earnings of 1.2p (0.82p) achieved at six months, the directors are confident that they should be able to recommend a dividend for the year of not less than the 1.25p net paid last time on the enlarged capital.

Operating income for the first half improved to £158,556 (£83,444) and took in dividends, interest and sundry income of £48,054 (£42,512) and the profit on the disposal of investments amounting to £110,502 (£40,932).

Pre-tax figures were after adding in £2,803 (£1,125) from fixed asset investments and a £12,208 (£30,176) provision released on the investment portfolio and deducting administration expenses of £36,307 (£26,639).

Tax of £46,695 (£32,586) left net profits at £90,565, compared with £55,520.

Net assets per 10p share amounted to 27p (24.9p) at end-December 1985.

Western Selection holds 48.5 per cent of Kwahu's ordinary share capital.

# No dividend from Debron Invs.

The directors of Debron Investments, formerly known as Carpets International, say they are unable to recommend the payment of any dividend in respect of the 1985 year.

The company, engaged in the manufacture and sale of soft floor coverings and in spinning and dyeing of yarns for the carpet industry, is currently seeking permission from the courts to set certain accumulated losses arising principally from the disposal of Carpets International (UK) against the share premium account.

On the basis of permission being granted by the courts and in the light of income expected in the opening six months of 1986 the directors will consider paying an interim dividend in August of this year.



## COMPANY NEWS IN BRIEF

HIGH-POINT SERVICES Group, quoted on the USM, has entered into an agreement through one of its subsidiaries to acquire Rendels, a private company based in London. Rendels owns the consulting and designing engineering practice and the specialised transportation and economic studies consultancy service practice formerly carried out by Rendel, Palmer, and Tritton. Maximum consideration will be £3m. Rendels' net tangible assets at the end of last March were some £460,000 and taxable profits in that year amounted to £830,000 on turnover of £16.4m.

DWEK GROUP has completed an arrangement with Benjamin Kay to purchase the goodwill, trademarks, market information and order book of their pvc sheeting vinyls and coated nylon distribution division. The total consideration of £210,000 is payable in cash out of the companies existing resources in four equal quarterly instalments, the first due on completion.

LONDON SHOP Property Trust has sold a portfolio of 24 of its smaller properties for £1.5m to a private purchaser.

REDMAN HEENAN INTERNATIONAL'S chairman, Mr H. Lang, told the AGM that he hoped the recently announced negotiations would soon be brought to a stage when specific proposals could be put to shareholders. He pointed out that the board was very mindful of the fact that the shares remained suspended and added that, whether or not the negotiations were successfully completed in the meantime, every effort would be made to have the quotation restored by the time the interim results were announced in May.

AMBER DAY'S directors are unaware of any reason for the recent sharp rise in the price of company's ordinary shares, and say they have not entered into any negotiations which could account for it. The company's figures for the 27 weeks to November 11 1985 will be available within the next four weeks indications are that results will reflect the slow start to the year referred to in the chairman's last statement.

MAI's offer for Wagon Finance has been accepted by holders of 16.57m Wagon shares (70.08 per cent). The MAI group held 2.3m Wagon shares (around 9.7 per cent) prior to the announcement of offer, which has been declared unconditional.

PADANG SENANG Holdings, an investment holdin gcompany with interests in rubber and oil palm production, reports lower taxable profits of £147,733, against £244,650, for the year to end-Stepember 1985. Turnover was down from £926,737 to £581,013 and earnings per share fell from 2.32p to 1.75p. The dividend is cut to 1.1p (1.4p).

FUTURA HOLDINGS says that unaudited pre-tax profits for 1985 are expected to be around £405,000 (1984 £366,702) and that the current order book is similar to the corresponding period of 1985.

MANCHESTER SHIP Canal: Highams has acquired a further 247,500 preference shares and now holds 2,396,400 (59.91 per cent).

# BUSINESS BOOKS - 1

# Lessons for London's revolution

**The Year they sold Wall Street**
By Tim Carrington
(Houghton Mifflin, Boston, $16.95; 245 pages)

PRUDENTIAL Insurance—Bache: Sears Roebuck-Dean Witter: Phibro-Salomon: American Express-Shearson—these and half a dozen other big financial names have two things in common. They all took part in the great Wall Street merger wave of 1981-82, and practically without exception, the link-ups have resulted in disappointment—or worse.

One way or another, most of these firms were hoping to create something special out of their mergers: a new kind of *financial supermarket*, with vast capital resources and a much more sophisticated approach to marketing.

Since many of these ideas are now being repeated in London, it is timely to look back at this extraordinary period in US financial history.

The book concentrates mainly on the events leading up to the acquisition of Shearson Loeb Rhoades by American Express.

Written in a gossipy, fly-on-the-wall style, it suggests that this and other financial mergers were less the result of glossy corporate strategy, and more to do with particular blends of personality, ambition and fear.

Shearson had been built into a major player by the single-minded drive of one man, Sandy Weill.

A streetwise cigar-chomper, he set up in the securities business with three partners in 1960, and began to exploit the opportunities which were emerging from the deregulation of US financial markets.

While old and once powerful names floundered, crippled by the overheads of their history, Weill and his partners went from strength to strength. By 1980, his firm had swallowed eight big securities houses, including Hayden Stone and Loeb Rhoades Hornblower, and *employed 3,388 stockbrokers*.

Even so, nothing looked less likely than that his brash, self-made firm would allow itself to be absorbed by American Express, one of the pillars of America's financial establishment. According to Carrington, the deal would never have happened but for the persistence of an intermediary, Sandy Lewis, of S. B. Lewis and Company.

It was he who sketched out exciting visions of the future for financial conglomerates, and who shuttled from hotel room to hotel room to keep the various parties talking.

What clinched the deal, however, was the announcement that the Pru was set to buy control of Bache, a firm which had been badly weakened by its involvement in the great silver crash, and which had been desperately seeking an escape from the clutches of the Belzburg brothers. Weill felt sure that this deal would set a pattern, and that his rivals would also sell out to financial giants.

"In this country, big companies play follow-the-leader," he told his partners. "More mergers are going to happen. How are we going to feel if Hutton does it with Express?"

Disappointingly, there is not enough detail of why so many of these marriages turned sour.

But there are some clues. Even at the time, it seemed highly improbable that a man of Weill's temperament would be content to work out his days in a junior position to a younger and very different individual, James Robinson, the chairman and chief executive of American Express. Personality clashes were to play an important role in other mergers, too.

Moreover, the rationale for many of the deals had always looked suspect. Bache's weaknesses were not going to be resolved simply by a strong balance sheet. Cross selling was much harder to achieve in practice than the management consultants had ever suggested. Commodity traders, it turned out, did not much care for investment bankers, and vice versa.

This does not mean that financial mergers are necessarily doomed to failure: Weill's creation of Shearson demonstrated otherwise. But perhaps there are some lessons here, too. Weill always negotiated from strength, and was ruthless in victory: after a takeover, he would discard employees by the truckload. He was a strong leader, and his firm was able to consolidate overheads while *expanding its volume through the acquisition of closely related businesses*.

Many securities firms in London are taking exactly the opposite course—pushing different types of businesses together, and expanding overheads in anticipation of the extra volume which they believe will be created by deregulation and diversification. At this stage, it seems unlikely that the success rate will be much higher than in New York.

**Richard Lambert**

# Birth and growth of a business spirit

**America's Business**
By James Oliver Robertson (Ferrar, Straus and Giroux, £15 cased; £15, 277 pages). Published March 3

IN RECENT years, the main focus of "how the other side succeeds" business books has been Japan. European managers assume that they understand their transatlantic competitors.

Yet there are many things which elude understanding, not least that in the last decade the US has created more than 20m jobs at a time when creation in Europe has been stagnant.

So this book offers an inviting prospectus: an account of the origins and development of the American business spirit.

From the earliest days, American pioneers were able to trade both produce and (to a degree unknown in Europe) land. They quickly established a social pecking order based upon wealth rather than birth, although their aggressive capitalism was tempered by the social ideals of the revolution.

This agrarian property-owning democracy became, via the industrial revolution, a continent of corporation, company towns, philanthropic millionaires and brilliant organisers of mass manufacturing and large bodies of people. The genius of mass production Mr Robertson traces to Samuel Colt's revolver and the aptitude for personnel regimentation to the armies of the Civil War.

The riches and methods of the Vanderbilts and Rockefellers nourished a never well-organised trade unionism and caused the phrase "robber baron" to enter the US journalistic lexicon in 1869, but respect for business, businessmen and the red-blooded quest for wealth endured in a way it did not in some European countries. Americans, says Mr Robertson, having been good traders and entrepreneurs, became good employees. The late 19th century hero, the cowboy, was a hired hand, today's TV detectives showing "heroic possibilities, despite being employees."

Government helped this process by curbing business excesses through anti-trust policy, and on the other hand overriding objections to the growth of interstate commerce. Americans learned that the Government could do more to control big business than unions and strikes.

Not even depression, Roosevelt's 1936 attack on the "economic royalists" of big business nor the consumer movement of the 1960s could deflate this underlying optimism for long.

The author does not conceal his personal distaste for aspects of this state of affairs. "The dream of the independent entrepreneur is gone," he says.

In a final chapter, he worries about damage to the environment, the trading of companies as if they were commodities and suggests that the logical apotheosis of big business attitudes may be organised crime. In a finale reminiscent of Allen Ginsberg, he says these concerns are soothed for Americans by the freedom they have to range through supermarket aisles, satisfying their pioneering marketplace instincts by checking out bargains.

It is not a thesis which stands up well against the story of Apple, Silicon Valley, Ronald Reagan, nor against the fact that 66 per cent of those 20m new jobs were created in small businesses.

**Ian Hargreaves**

# Prized virtues for bankers in public eye

**Excellence in Banking**
By Stephen I. Davis
(Macmillan, £25.00, 146 pages)

WHAT MAKES a good bank? Is it really captured in those advertisements in high-class publications where bankers sit around polished tables with serious looks on their faces, and come up with brilliant answers to clients' problems?

Probably not. Yet bankers are so concerned with their image that it is sometimes hard to detach it from reality. This impression is reinforced by this book, which is packed with bankers' quotes such as "managing change, and "the basic need" being to "harness our potential," which immediately make you wonder whether the speaker has thought out what he is saying, or is merely quoting from his promotion literature.

The truth must be more earthy than that. But this is a timely book because it explains what virtues bankers, at least, prize at a time when they find themselves very much in the public eye.

Mr Davis—who readily acknowledges his debt to Peters and Waterman' In Search of Excellence—polled a panel of independent observers of the banking business (including, I must declare, myself) for their top 10 banks. From their replies he compiled a list of 16 "excellent" banks and interviewed their top managements in depth.

The results are in many ways predictable: most of the qualities are the very things that go into that advertising copy: an "open" culture, strong "shared" values, customer orientation, recruiting good people, willingness to invest in new products.

No doubt, a lot of this is true. But when it is laid on this thick one can be excused some scepticism.

Fortunately, Mr Davis, a former banker, does tip the occasional wink to his readers. For example: "Most of the banks interviewed like to think of themselves as 'value-driven,' but on closer questioning acknowledge that financial performance dominates other considerations."

Later there is an amusing passage about mission statements (which set out corporate goals) where the reader gets another glimpse of what must be the truth when a senior officer of the Hongkong Bank says he would be greeted "with mirth and merriment" if he proposed such an idea to his boss.

The book does also yield some interesting conclusions. There is, apparently, no "winning" organisational structure in banking—the 16 came in all *shapes. And innovation is not a* vital ingredient of success, except for Citibank where it is almost a religion.

A charter on risk control also contains a good quote from the man at Deutsche Bank who says a lending officer should not just cook his soup but be made to eat it as well—in other words collect when things go wrong.

This rather good chapter might have been better if it included convincing explanations of why banks piled into the Third World lending boom. *To blame it on over-eager lending* officers is not good enough when the obvious failing was lack of restraint from the top.

**David Lascelles**



# Misjudged adulation and a fallen hero

**Corporate Failure**
By O. P. Kharbanda and E. A. Stallworthy
(McGraw-Hill, 224 pages)

HOW USEFUL to have a technique that could predict an approaching corporate collapse, particularly in that uneasy time when the published accounts still look all right but management is steering determinedly for the rocks.

More or less fanciful methods of taking the corporate pulse have been thrown up over the years in great numbers by the more theoretical sort of financial analyst.

About half of these nostrums reduce to the obvious truth that deteriorating liquidity ratios, over-trading on a small equity base, insufficient care in proportioning uses to sources of funds, tend not to be indications of long-term profitability or growth—whatever the chairman's statement or the share price may be saying.

*A competing school of* disaster-diagnosis looks at the management rather than the accounts: fountains in the foyer, company helicopters, conspicuous spending on the corporate image, accounts printed on luxurious but eye-defeating grey paper; these are all indicators that things can be expected to go wrong.

Corporate Failure helps itself to both approaches, taking a broad sweep across an international spectrum of failures from Penn Central to Carrian, taking in such old favourites as Rolls-Royce and Dunlop en route.

The book's only real novelty is a subcontinental frame of reference, exemplified by an overview of the many Indian companies being kept alive on a drip-feed of public money.

Even that phenomenon is familiar enough to UK readers in all but the details; adulation of Sir Michael Edwardes' efforts to turn round a notable British example is about as close as Kharbanda and Stallworthy get to making a true analysis of BL.

Regrettably, the whole work is shot through with signs of the half-digested and the second-hand, while its factual basis is at times both shaky and out of date.

An attempt to track the career of Sir Michael Edwardes from BL through ICL to Dunlop is a particularly tragic case of failing to keep up with a moving target. The unfortunate fact that their hero has twice been taken over within months of arriving in the hot seat—at ICL and Dunlop—makes it difficult for the authors to derive any consistent moral.

In the case of Dunlop, the BTR take-over is described as a "surprising conclusion," while at ICL they observe that "a frequent follow-up to a turnround is a take-over."

Their misfortunes—as diagnosticians of failure—culminate *in the following section*, which describes ICL's acquirer, Sir Kenneth Corfield's STC, as "an interesting company." An uncritical eulogy of STC's management philosophy is excused by the disclaimer: "Yes, we know you've heard it all before, but here (enlightened efficient management) is being put into practice."

In case you haven't heard it *all before, the STC management* in question was heading straight for the precipice at the time, and toppled over: in March 1985 STC had a £173m rights issue; by July it was forecasting a loss for the half year, and in August the management had gone.

It would have been a kindness to the authors if McGraw Hill had saved them, at the end of 1985, from seeing these misjudgments preserved in print.

**Jeremy Stone**

# BUSINESS BOOKS - 2

## Disgrace of US takeover rules

**Megamergers**
By Kenneth M. Davidson
(Ballinger, Cambridge, Mass, $34.95: 412 pages)

MR DAVIDSON'S book on merger mania, US-style, is nothing if not comprehensive. With a lawyer's precision, he picks over every detail of the rules governing corporate takeovers in the US and places his findings in an historic context which stretches back to the Antitrust Act of 1890.

This approach has its strengths and weaknesses. Mr Davidson, employed as a lawyer with the Federal Trade Commission, signed off the book in 1984, since when the US takeover scene has moved on.

Were he writing today, Mr Davidson would perhaps lay less emphasis on the defensive weapons available to takeover targets—recent court rulings have made the poison pill a less effective medicine—and would devote less space to concentration within the oil industry. T. Boone Pickens is, after all, yesterday's story.

Moreover, while the historical analysis is never less than perceptive—his study of US conglomerate mergers in the late 1960s carries a message or two for the UK—it is not easy to interpret every development as part of an historic continuum. The use of junk bonds, and indeed the general leveraging of corporate America, helps to explain the present takeover wave but it also represents a break with the past.

For all that, Mr Davidson has written a most thoroughly researched and engaging book on a subject which should be of almost as much interest in the City of London as it is on Wall Street. Nor does Mr Davidson pull punches.

"Takeover rules," he writes, "have improved greatly as a result of the Williams Act and the Hart-Scott-Rodino Act, but they remain a disgrace." Hear, hear.

It is perhaps not surprising that Mr Davidson, as a lawyer, should recommend more legislation to take care of the obvious loop-holes but it is hard to disagree with his argument. The spirit of consensus on which the UK takeover rules are based is simply not an option.

Yet the points are made with a light, and often amusing, touch. It analyses the argument that the merger wave of the early 1980s arose from the accumulated excess profits made by American industry in the 1970s.

The book could, if anything, do with a little more colour. Mr Davidson lists the dramatis personae on the US takeover stage—and even narrates the 1981 takeover of Conoco by Du Pont as a drama in three acts—but frequently leaves the reader wanting to know more about the players. Takeovers can, after all, be rather dry affairs.

But for anyone professionally concerned with mergers and acquisitions, "megamergers" is almost required reading. The US takeover wave has generated an enormous amount of literature on the subject but little of it can be either as panoramic or as perceptive as Mr Davidson's work.

**John Makinson**

## Nice guys should watch out for traps

**Ever Onward**
By John Hinton and Nicholas Birtles
(Grafton Books, £2.95; 112 pages)

THE American genre of self-improving literature for those ambitious in business has never caught on with a more diffident British public, but John Hinton and Nicholas Birtles—both of whom have extensive business experience in North America—obviously want to change that.

Perhaps the sheer scruffiness of the book's production does not lend the desired aura of success. However, every aspiring chief executive presumably has to be prepared to start at the bottom.

Taking its title from the IBM company song, the book enshrines many of the preoccupations of Big Blue's verses, full of bigger and better things, staying in the lead and the will to win.

The driving force of the authors' 16-man advisory panel appears to be overpowering ambition. One, holidaying at the age of 12 near Monte Carlo, vowed that one day he would have a boat like Onassis. Another says: "My whole idea was to make money."

It is clear that great determination is needed. A third panel member made a vow that he would not return home each night until he had made a sale. And there is no pretence that success can be easy: it involves long hours—though work-free weekends are recommended—and single-mindedness. Wives and families that get in the way will have to be dumped.

The format of the book comprises lengthy observations by the advisory panel, linked by short passages by the authors. It certainly makes for much greater readability than the average management tome. But at the same time the flow can be disjointed, and the advice not always consistent. One must not be aggressive, it appears, but only "confident, enthusiastic, ambitious and persevering — on occasions tough."

Predictably, the panel contains only one or two representatives of manufacturing industry. The rest are the computer software consultants, stockbrokers, PR men and headhunting experts who represent the cream of British commerce.

In sluggish, unambitious, demotivated Britain it is easy to poke fun at such self-proclaimed paragons of business virtue (and gain a little perverse satisfaction at the recent sacking of one of them). But soaring unemployment is a clear symptom of the UK's inability to develop a progressive business culture of the kind that makes the US so much more dynamic.

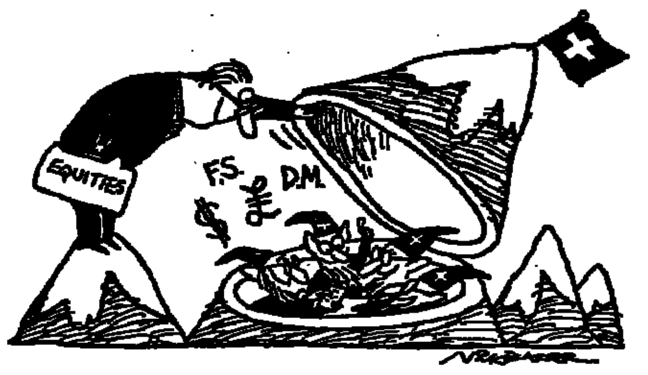
As pointed out in the book, companies in Britain tend to lock in employees with company cars and pension schemes rather than motivate them with substantial bonuses. Our education system prejudices youngsters against commerce—or at any rate directs them towards large companies rather than small ones.

But can overdeveloped ambition be contained within a tolerable society? Nice guys can still win, say the authors, but with a qualification.

"Be likeable, but watch out for traps laid by colleagues at a senior level who have somehow bullied their way to the top. They will be dangerous."

**Barry Riley**






## Handy Swiss niche in reforming market

**The Swiss Equity Market—a guide for investors**
Edited by Henri B. Meier
(Woodhead-Faulkner, in association with HandelsBank, Zurich, £30; 210 pages)

EVERY investor knows that share prices have been rising inexorably for a long time. Many will also be naggingly aware that markets in other countries have risen even stronger than London. When ubiquitous video screens enable us to peek, and even dip into other people's stock markets, the urge to join the stampede overseas becomes irresistible.

There are snags, however. Apart from the obvious risk of investing in a less familiar company or economic environment, other pitfalls abound.

Can you be sure that a share purchase, and perhaps more vitally, a later sale will be quickly and efficiently transacted at a good price? Where is the deal done? How do you keep tabs on investments? Are companies, for example, required to send you an annual report containing more than glossy photographs?

It is to address such needs—the nuts and bolts requirements of the investor and foreign share-issuing company—that HandelsBank has published a guide to the Swiss equity market.

There is a further purpose: HandelsBank is a subsidiary of National Westminster Bank, which is building securities business through County Bank (its merchant banking arm) stockbrokers Fielding Newson-Smith and jobbers Bisgood. With all the players in the reformation of London's securities markets seeking niches, expertise in the Swiss market will come in handy.

And in Switzerland, HandelsBank has itself been attempting to erode the position of the Big Three banks.

Swiss share prices rose 57 per cent last year, in line with an extraordinary surge in virtually every country on the Continent. A large part of the increases were attributable to cross-border investment.

Mr Henri Meier, the book's editor, traces what he calls the renaissance of the share to the fact that around the turn of the decade "a worldwide recognition that it took profits and investments to further increase the standard of living also conquered Switzerland."

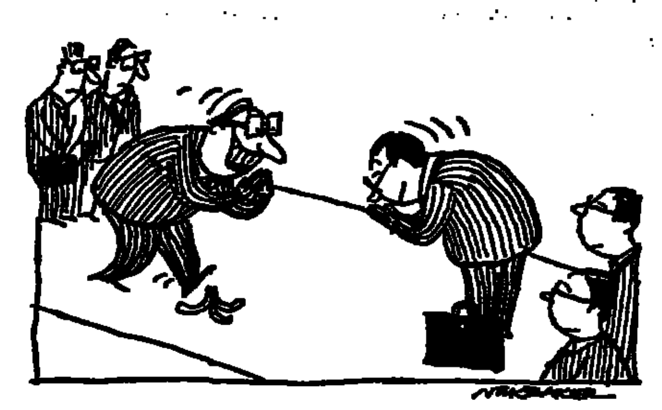
This, he says, occurred after a long period of restraint on share prices caused by excessive government spending and bureaucracy, the absorption of savings by the social security system, and misguided official attempts to keep ailing companies afloat.

This book contains useful information of the type that does not make headlines—about the country's stock exchanges (there are eight), issuing, trading and listing procedures, the text of bank secrecy arrangements, and legal and fiscal facts foreign investors need to know. Perhaps most important is a chapter on corporate reporting requirements, which leave much to be desired.

"The basic tendency is to report as little as possible and, at the same time, build as many 'hidden reserves' as necessary," the book says.

The 39 leading Swiss companies are ranked for the amount of information they provide to shareholders. The engineering concern Landis & Gyr came out top with the machinery group Bobst trailing in last place.

**Alex Nicoll**



## Pitfalls chart for unwary in Japan

**Smart Bargaining—doing business with the Japanese**
By John L. Graham and Yoshihiro Sano
(Ballinger paperback; £9.25; 184 pages)

THE Foreign Correspondent's Club of Japan, of which I happen to be president this year, counts for a fair bit in Tokyo. With nearly 2,000 members and monthly budget of £2m, it is a significant procurer of local goods and services for its restaurant and other amenities.

The New Year is the big period for gift-giving in Japan, so I asked the club's Japanese staff whether we should not be sending the odd present to some of our principal suppliers, in appreciation for what they had done.

Far from it, I was advised; it is the buyer who is king and thus the supplier who must send the tribute. Indeed, the club sent only one new year present of consequence—a few bottles of high-class whisky to the local police station.

Smart Bargaining is rather good at identifying the pitfalls and faux pas confronting the unwary foreign negotiator wanting to do business in Japan.

Though, inevitably, its points of reference and comparison are between Japan and the US, Europeans can readily find common ground with the authors' descriptions of American corporate tactics, while the way the Japanese do business, is, for the most part, eminently sensibly and comprehensibly presented.

The book focuses on the process of negotiations. It emphasises that the Japanese derive confidence from strength in numbers round the table, that chief executives normally do not make the decisions, that harmony is good and confrontation bad, and that the Japanese dislike deadlines (except for the physical delivery of goods ordered) and thus use time to their own advantage against chronically impatient Americans.

There is also practical advice on the use of interpreters (still necessary in the majority of cases, though no longer universally needed), the importance of introductory "go-betweens," and the location of meetings.

There is advice too on the conduct of after-hours entertainment, the principal purpose of which is to cement harmony not to nail down—under the influence of alcohol—the contract under discussion.

My only serious caveat is over the extent to which the book remains valid for Japanese businesses accustomed to dealing with foreigners. The authors do note that Japanese business is undergoing its own generational change and that a phalange of executives with much more foreign experience and sophistication is rising to the decision-making levels.

In some instances, indisputably, this is a mere veneer, but in others, especially the large, successful multinational Japanese companies, change may be more real than apparent. The Japanese, after all, did not win the Bosphorus Bridge contract by seducing the Turks with green tea and geisha.

Form, however, does remain important in all aspects of Japanese society. The Japanese themselves tend to be most critical of their own corporate individualists (Morita of Sony, Takahashi of Minebea, Fujita of McDonalds Japan) who break the rules of form.

The internal Japanese market is intensely competitive, but it is not, for the most part, a free-for-all and it does have its niceties. Graham and Sano have provided a decent guide to at least some of those.

**Jurek Martin**

# INDONESIA

# The commanders of industry

By Alain Cass, Asia Editor, recently in Jakarta

WHAT DO one of Jakarta's favourite discotheques, Indonesia's assembly line for Volkswagen cars, a small but profitable charter airline and 600,000 acres of primary forest in Kalimantan have in common?

Answer: they are all owned by the Indonesian armed forces which control a business empire stretching across the whole country with interests in shipping, films, automobiles, coffee, timber, cement, banks, insurance and a great deal else besides.

Today this unwieldy but secretive business empire, the assets of which run into billions of dollars — although nobody knows exactly how much — is undergoing a thorough shake-up in an effort to make it more efficient as well as more accountable.

Unprofitable companies are being closed down, new management methods are being introduced, civilian managers are being appointed and stricter financial controls are being implemented.

The shake-up began after General Benny Murdani took over as armed forces chief in 1983. General Murdani, a confidant of President Suharto and probably Indonesia's second most powerful man, has launched a major reorganisation of the country's armed forces.

The army has dominated Indonesian politics since the abortive coup d'etat in 1965. President Suharto is a general, so is the vice-president. Fourteen out of 37 ministers are serving or retired military officers. Most regional governors and 50 per cent of the ambassadors of this nation of 165m people are generals.

In fact, since the achievement of independence in 1945 the armed forces have been the prime source for trained leadership and administrative manpower, playing leading roles at every level of government in the country's development.

What is less well-known is the extent of the armed forces' direct involvement in the nation's business affairs. The web of companies operated independently by local, regional and central commands provides an intriguing insight into some of the key forces at play in a society where the military life—provided you come from the Javanese elite—still offers one of the fastest ways to status and wealth.

The companies are a vital source of revenue to supplement the meagre defence budget. They have a social as well as a strictly business function. Their profits have been used for purposes as diverse as the purchase of fighter aircraft, the building of thousands of homes for low-ranking and retired servicemen and looking after war widows.

Nobody knows how much revenue the military companies generate since they, in common with many Indonesian companies, do not publish accounts. But the most reliable estimates by military observers in Jakarta reckon the companies provide the armed forces with funds equivalent to between 30 and 50 per cent of the official defence budget.

Indonesia's military businesses are also an essential component in the country's complex system of patronage and reward for poorly-paid military officers who might otherwise become disaffected and pose a threat to the regime. They are widely credited to have played an important role in preventing any serious coup attempts against President Suharto's regime over the past 20 years.

"With colonels earning no more than $225 a month and generals less than $500 a month," sain one foreign executive involved in the military business, "a top job with one of these companies represents a heaven-sent opportunity to get rich quick."

The army's involvement in business began in the 1950s. At the time regional commands had few funds other than those they generated themselves. President Suharto, then a colonel in Central Java, set up a foundation which operated businesses whose profits met the needs of his unit. It was the army which started and operated the oil company Pertamina before it was taken over by the state.

Over the next few years powerful local commanders established a bewildering array of hundreds of businesses across the country.

On the positive side, this created a new class of military officer with management and administrative skills in business. Many of the ruling military elite benefited from this experience to get to the top, including President Suharto.

On the negative side, some officers used these companies merely to amass personal wealth, leaving the companies to languish in a morass of mismanagement and corruption. The most spectacular failure of a military company was the collapse of the army-owned Bank Dharma Ekonomi in 1968.

The most recent of the military companies to be streamlined is the army's. Each of the services has a foundation which governs a holding company. This, in turn, co-ordinates the activities of several businesses. By far the biggest of these holding companies is Tri Usaha Bakti which is now run by Mr Sofyan Wanandi, a Chinese businessman.

The Chinese are distrusted in Indonesia, so it may appear surprising that a Chinese civilian has been entrusted with such a sensitive post. However, the Javanese elite recognises Chinese flair for business and has developed links with prominent Chinese business families.

Since taking over at Tri Usaha Bakti, Mr Wanandi has closed more than 15 companies which, he says, were not profitable. The group now controls 20 companies with total sales of around $250m.

The army's biggest money-spinner is its logging and plywood activities in Kalimantan. PT ITCI owns over 600,000 acres of prime forest around the boom-town of Balikpapan in East Kalimantan. It employs 3,000 people and has a turnover a $100m a year.

Tri Usaha Bakti's other major activities include a construction and engineering company in which Jurong Engineering of Singapore has a stake.

"We export coffee, quinine, tea — all grown on our plantations in Sumatra," says Mr Wanandi.

The new civilian managers appointed to military companies have been told to close unprofitable businesses and restructure the remaining ones so that they are run more professionally.

Their biggest problem, as one admits, is to "get all those retired officers to become professional managers." Mr Wanandi has done this by mixing retired soldiers with professional managers. There has, he admits, been some tension "but nothing serious."

Another problem, says a military observer in Jakarta, is that professional managers like Mr Wanandi have little choice in picking their senior staff. "There's an element of jobs for the boys," he says. "If the president wants to find a cushy number for a general he wants to retire he'll simply give him one of the companies to run."

Tri Usaha Bakti has recently taken on an international firm of accountants to audit its books. "We are on the way to becoming just like any other business concern," says Mr Wanandi.





هكذا صل الأصل

# FT COMMERCIAL LAW REPORTS

## Bank's responsibility under letter of credit

**FORESTAL MIMOSA LTD v ORIENTAL CREDIT LTD**
Court of Appeal (Lord Justice Croom-Johnson, Lord Justice Balcombe and Sir John Megaw): January 21 1986.

**IRREVOCABLE LETTERS** of credit which are expressed to be subject to the Uniform Customs and are to be available by acceptance of drafts drawn by the beneficiary, impose on a confirming bank responsibility for acceptance and payment by the drawee; and accordingly, where the issuing bank fails to ensure acceptance and payment, the confirming bank's disclaimer of responsibility is unarguable in defence to the beneficiary's application for summary judgment.

The Court of Appeal so held when allowing an appeal by *plaintiff sellers, Forestal Mimosa Ltd*, from Mr Justice Bingham's order granting the defendant bank, Oriental Credit Ltd, unconditional leave to defend on the sellers' application for summary judgment.

SIR JOHN MEGAW said that in May 1985 the sellers agreed to sell five consignments of solid wattle mimosa extract to five separate Pakistani companies.

Each contract provided for payment in US dollars by *irrevocable letters of credit* "to be opened in sellers' favour with and to be confirmed by a first class bank in London before shipment and payable at 90 days from date of bill of lading."

Each of the buyers instructed the Dubai Bank through its Multan branch in Pakistan to open a letter of credit. The Dubai Bank instructed Oriental, a London bank, to advise the sellers of and to add its own confirmation of the credits.

Oriental did so. It notified the sellers of the issue of the credits and confirmed them.

The five consignments were shipped on July 20 on the Sun Africa at Beira in Mozambique. Bills of lading evidencing the shipments were issued on that date.

The sellers drew 90-day drafts, one on each of the five buyers. They presented the drafts with the shipping documents to Oriental in London on August 16. Oriental forwarded them to *Dubai with instructions to the* Dubai Bank to release the documents to the buyers against acceptance of the drafts.

The Dubai Bank, claiming that the documents contained a number of "discrepancies," told Oriental that it would remit *funds only on receipt of funds* from the buyers. Later it told Oriental that the buyers had accepted the drafts on a clean collection basis, not under letters of credit. They did not accept. Had they done so, the credits would have been useless.

The sellers issued their writ against Oriental on October 22 1985, asking for a declaration that it was responsible for acceptance and payment of the five drafts at maturity, and claiming damages. They applied for *summary judgment* under Order 14 of the Rules of the Supreme Court.

Mr Justice Bingham gave Oriental unconditional leave to defend but gave the sellers leave to appeal.

The first argument was an *issue of law depending on* construction of the terms of the letters of credit as issued and confirmed.

In one sense the issue was plainly arguable because it had been *fairly* and *sensibly* argued and had found favour with the judge. But in *SL Sethia Liners [1985] 1 WLR 1398* Lord Justice Kerr said that in applications for summary judgment under Order 14 the court "if it concludes that, although arguable the point is bad, then it will give judgment for the plaintiffs."

It would be neither good law nor good sense to dismiss the appeal if each member of the court took a clear and confident view that the issue, though in one sense arguable, ought to be *decided in favour of the plaintiff* sellers.

The terms of the five credits were identical. The document was contained in a printed form of the Dubai Bank with particulars inserted in typescript. The *opening words of the text were:* "We hereby issue in your favour this irrevocable documentary credit which is available by acceptance of your drafts at 90 days sight drawn on . . ." the buyer.

In a box at the bottom left-hand corner above the signature of the Dubai Bank was included: "We hereby engage with drawers and/or *bona fide* holders that drafts accepted within the terms of this credit will be duly honoured at maturity."

*Opposite that note,* in the margin, was an insertion "except so far as otherwise expressly stated, this documentary credit is subject to Uniform Customs and Practice for Documentary Credits (1984 Revision) International Chamber of Commerce *Publication No. 400." The reference* to the 1984 revision should be read as referring to the 1983 revision which took effect on October 1 1984.

Article 11(a) of the Uniform Customs read: "All credits must clearly indicate whether they are available by sight payment, by deferred payment, by acceptance or by negotiation." The reason for the different types was partly because they might involve different obligations as to time of payment.

*Article 10(b) of the Uniform Customs* read: "When an issuing bank authorises or requests another bank to confirm its irrevocable credit and the latter has added its confirmation, such confirmation constitutes a definite undertaking . . . (iii) if *the credit provides for acceptance*—to accept drafts drawn by the beneficiary . . . or to be responsible for their acceptance and payment at maturity if the credit stipulates they are to be drawn on the applicant for the credit or any other drawee stipulated in the credit."

The obligations undertaken by the Dubai Bank were undertaken towards the sellers by Oriental when it confirmed the five credits.

The legal issue was whether article 10(b)(iii) was incorporated into the contract so as to make Oriental responsible for acceptance and payment of the bills.

Oriental's contention, accepted by Mr Justice Bingham, was that if one looked at the letter of credit without referring to the Uniform Customs terms, it was clear that it was only to become operative if buyers accepted the sellers' draft when presented.

It was wrong to approach the question of construction by looking at the document without reference to the Uniform Customs. The marginal note provided unambiguously that except insofar as otherwise expressly stated, it was subject *to the Uniform Customs.* There was no express provision excluding the Uniform Customs, and no justification for reading in any implied exclusion.

Mr Goldsmith, for Oriental, relied on "which is available by acceptance of your drafts" in the documentary credit, as excluding the operation of 10(b)(iii). He said it meant that unless and until the buyer did accept, the documentary credit was not available.

When one looked at the whole of the document it appeared it had been prepared with reference to the Uniform Customs. That was the reason for "available by acceptance." The words were introduced because article 11 directed that all credits must clearly indicate whether they were available "by acceptance."

Mr Goldsmith placed great weight on "accepted" and "at maturity" in the passage in the box at the left-hand bottom corner.

Again those words were brought in because of the provision at the end of article 10(b)(iii) "or any other drawee stipulated in the credit." They were introduced in order to provide that the credit should also be available to a *bona fide* holder. Their *purpose* was consistent with and explained by the terms of the Uniform Customs.

Therefore, when one found that the provisions of article 10 were brought in as terms of the contract and that the provisions of article 10(b)(iii) were unambiguous as to the obligation of the confirming bank to be responsible for acceptance and payment at maturity, the defence on which Oriental succeeded below did not reflect the true construction of the contract. It showed no basis for refusing summary judgment.

Oriental submitted that even if it were wrong on the point of law, nevertheless there were discrepancies in the documents.

None of the so-called "discrepancies" contained any arguable point. The appeal should be allowed.

Lord Justice Croom-Johnson and Lord Justice Balcombe agreed.

*For the sellers: Michael Dean QC and Peter Irvin (Heald Nickinson).*

*For Oriental: Peter Goldsmith (Wilde Sapte).*

**By Rachel Davies**
*Barrister*

THESE REPORTS, together with full texts of judgments, are published in monthly volumes. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. Phone 01-831 0391.

**APPOINTMENTS**

## Balfour Beatty managing director

BALFOUR BEATTY, part of the BICC Group, has appointed Mr R. C. M. Rankin as managing director. He joined Balfour Beatty in 1963, and was appointed to the board of Balfour Beatty in January 1983 with executive authority for Balfour Beatty Construction. In March 1985 he was appointed deputy managing director of Balfour Beatty.

★

3M UNITED KINGDOM has made three appointments from March 1. Mr George Meredith, managing director of 3M Health Care, Loughborough, becomes general manager of Riker Laboratories Inc., at the US company's headquarters in St Paul, Minnesota. He will be succeeded at 3M Health Care by Mr Frank Ellis, director of memory technologies and consumers products division. Mr Peter Hutchings will return to the UK to head memory technologies and consumer products division, after four years in Brussels as European director for memory technologies.

★

VALIN POLLEN has appointed Mr Paul Dawson and Mr Peter Jones to the board from March 1. Mr Dawson began his career in market research at Scotland Yard, then moved into advertising, working with Allen, Brady and Marsh prior to joining Valin Pollen in 1985 to set up a new account group. Mr Jones joined Valin Pollen last year as an account group head from Good Relations Technology.

★

ERNST & WHINNEY has appointed Mr Harold Cottam, a member of the UK firm's management executive, UK managing partner. Practice development and audit partner, Mr Nigel Moore becomes London managing partner from March 1. The moves follow the election of Mr Elwyn Elliedge to senior partner of the UK practice, whose appointment becomes effective on September 1.

★

Mr Robin Gaenzler has been appointed managing director of the newly-formed MAGNAVOX SYSTEMS. He was deputy chairman and chief executive of V. S. Technology Group.

★

DREXEL BURNHAM LAMBERT INC has appointed Mrs Judith Symonds as vice president, corporate communications, Europe.

★

Mr Frederick William Ballard has been appointed sales director of GEC ELECTRICAL PROJECTS, Rugby. He was group sales director of Ransomes and Rapier.

★

Mr J. J. S. Coulter and Mr R. I. S. Hawkins have joined RICHARDS, LONGSTAFF. Mr A. C. Gladwell has been appointed a director of the UK division of Richards, Longstaff (Insurance).

★

Mr Jean J. Rousseau has been named deputy chairman and chief operating officer of MERRILL LYNCH Europe/Middle East based in London. He was senior vice-president in charge of the company's municipal markets organisation.

★

LOWFIELD DISTRIBUTION, part of the foods division of Imperial Group, has appointed Mr Rod Scribbins as managing director. He was technical services director, with additional responsibility for computer services and transport. Mr Scribbins replaces Mr Mark Skipwith, who has moved to Ross Produce as managing director.

★

Mr John St Lawrence has been appointed a non-executive director of CREST NICHOLSON. He is group director, UK and Europe, for Reckitt & Colman.

★

SCANDINAVIAN BANK has made the following promotions: Mr Arne Hansen, Mr David Jackson, Mr Mark Maycock and Mr Andrew Peters to general manager, and Mr Steven Jankowski, Mr Colin Swanson and Mr John Watts to manager.

★

ITALIAN GENERAL SHIPPING, the UK and Eire owners representatives for the Italian Government lines, has made the following appointments to its board: Chairman Dr Manfredo Paulucci de Calboli, comes from the board and executive committee of Lloyd Triestino; managing director Captain Giuseppe Fabbro, formerly commercial manager for Lloyd Triestino and responsible for LT controlled foreign companies. Also newly appointed to the board are Dr Roberto Colonnello, managing director of Italia Nav SpA, and Mr Tommaso Ricci, managing director of Lloyd Triestino.

★

Mr C. J. Round has joined CHANDLER GRAHAM as a director.

★

Mr Derek Hardman has become sales director of the BERLEI COMPANY.

★

ARTLAND (UK), British subsidiary of Artland Dörffler, West Germany, has appointed Mr M. A. Bracey as commercial director. He was commercial manager.

★

Mr Christopher W. France, at present Deputy Secretary at the DEPARTMENT OF HEALTH AND SOCIAL SECURITY to be Second Permanent Secretary in the Department in succession to Sir Geoffrey Otton, who is retiring on April 30. Mr France will be responsible for social security, will be the accounting officer for social security votes, and chairman of the social security management board.

★

Mr Ian Spight has been appointed corporate finance director, aerospace at MIDLAND BANK INTERNATIONAL. He was previously area manager, London business unit, Asian and Pacific region.

★

Following completion of a venture capital injection PERSONA UK has made the following appointments: Mr Jeremy Miles becomes non-executive chairman and Mr Robert Ashby is made a non-executive director.

★

Mr Brian Baylis has been appointed managing director of MARTIN RETAIL GROUP in succession to Mr Nicholas Ward. The group operates the major part of Guinness' retail interests in the UK. Mr Baylis has extensive experience in the retail trade including senior appointments with Cordon Bleu and Fine Fare. He was also managing director of Shoppers Paradise, where he was responsible for the creation and development of the Shopper Paradise discount stores chain.

★

Mr Nick Light has been appointed chief financial officer and controller of PENTOS from April 10. He joins Pentos from Lesser Building Systems where he was managing director. Mr Jeff Walker has been appointed finance director of Athena International (a subsidiary of Pentos), from April 1.

★

Mr William H. Batchelor, the former chairman of Bowring Professional Indemnity, has joined MINET INTERNATIONAL PROFESSIONAL INDEMNITY (MIPI), where he will assist in the development of MIPI's UK account.

★

DON & LOW has appointed Mr Alastair McIntosh product development director. He joins Don & Low from C. H. Dexter, Chirnside, a division of the Dexter Corporation, Connecticut, US.

## FT CROSSWORD PUZZLE No. 5,952

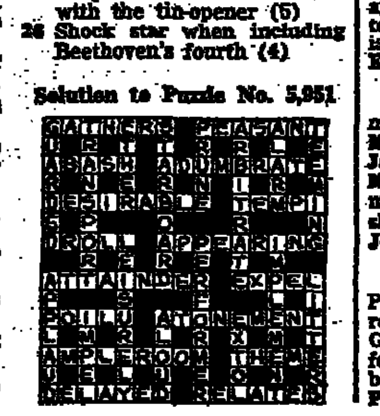
**ACROSS**

1 What's written on the tape one's stupidly picked? (6)
4 To entice into a French island, is given freely (8)
9 Blow in with a bird (6)
10 Becoming especially careful after midnight (8)
12 Commanding the member that is outside to take 100 diners (5)
13 Living at a higher level, is first to get maintenance (6)
15 Arrest John in Scotland returning with a student (4)
16 Nurse can eat stew outside the gate (10)
19 Warning to sailors around Holyhead: come down river (10)
20 Fail to ring man back (4)
22 Increase sound of laughter, causing commotion (9)
25 He writes notes in bars (8)
27 An expression of disgust during mixed darts game (6)
28 Reproach Burke for changing direction (6)
29 Turning to the duty list, can get started (8)
30 One flying half a mile inside finds the holiday home (6)

**DOWN**

1 Study carefully a pit disaster in legend (7)
2 When away, bound to see one's child (8)
3 For political reasons he left the new regime (6)
5 Said to refuse the Marines, as a rule (4)
6 Comes to see cad pop in for a romp (8)
7 Tactless remark about a fellow's coming back, for example (5)
8 Obscure extracts from film seen in Central Greece (7)
11 So it's unusual during prohibition, to find something fortified (7)
14 Stress isn't one, strangely enough (7)
17 The dolt is paralysed from the neck up (9)
18 Frankly, it's difficult to include Geoffrey Howe's initials (8)
19 Wash dismally, nude, in the French river (7)
21 In a river or rushing stream (7)
23 Understand piano is to be taken in before companion gives talk (6)
24 Respond and race round with the tin-opener (5)
26 Shock star when including Beethoven's fourth (4)

**Solution to Puzzle No. 5,951**



# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

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# AUTHORISED UNIT TRUSTS & INSURANCES

### Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE Dlg. 01-236 3885

| | | | | |
|---|---|---|---|---|
| International Growth | 119.7 | 128.1 | -2.8 | 1.00 |
| Income & Growth | 49.5 | 52.7 | +0.6 | 2.90 |
| Special Situations | 69.4 | 74.3 | -0.4 | 2.10 |
| American Growth | 32.5 | 34.8 | -0.2 | 1.10 |
| Japan Growth | 41.4 | 44.0 | -0.5 | 0.00 |
| European Growth | 51.0 | 54.6 | -1.3 | 2.90 |
| UK Growth | 47.2 | 50.5 | ... | 1.30 |
| Pacific Growth | 35.5 | 38.0 | -0.4 | 0.70 |
| High Income | 29.3 | 31.4 | +0.1 | 8.10 |
| Practical Income Units | 46.8 | 49.8 | ... | 2.70 |
| Practical Accum. Units | 84.2 | 89.6 | +0.1 | 2.70 |

### Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

| | | | | |
|---|---|---|---|---|
| Pearl Growth Fd. | 78.4 | 83.4 | +0.3 | 2.73 |
| Accum Units | 116.0 | 123.4 | +0.5 | 2.73 |
| Pearl Inc. | 105.0 | 111.7 | +0.2 | 4.46 |
| Pearl Unit Tst. | 111.6 | 118.7 | +0.4 | 3.52 |
| (Accum. Units) | 191.1 | 203.3 | +0.7 | 3.51 |
| Pearl Intl Equity | 108.9 | 115.9 | -1.1 | 1.73 |
| (Accum Units) | 108.9 | 115.9 | -1.1 | 1.73 |

### Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

| | | | | |
|---|---|---|---|---|
| International Growth | 235.7 | 253.0 | -0.1 | 1.39 |
| Income | 167.7 | 179.4 | +0.2 | 5.18 |
| Worldwide Recovery | 132.9 | 142.6 | +0.2 | 1.96 |
| American Growth | 66.6 | 71.5 | -0.1 | 1.01 |
| Intl. Emerging Cos. | 71.4 | 76.7 | -0.4 | 0.67 |
| Far East Growth Fd. | 58.2 | 62.5 | -0.3 | 1.10 |
| European Growth Fd. | 49.0 | 52.6 | +0.3 | 2.0 |

### Prolific Unit Trusts
222 Bishopsgate, London EC2 01-247 75407

| | | | | |
|---|---|---|---|---|
| Prolific American Inc. | 53.1 | 56.5 | -0.2 | 4.88 |
| Prolific Far East | 127.0 | 136.6 | -2.6 | 0.32 |
| Prolific Extra Inc. | 73.6 | 78.1 | +0.3 | 5.27 |
| Prolific C'vert & Gilt | 84.5 | 89.6 | ... | 5.96 |
| Prolific High Inc. | 156.9 | 166.4 | +1.0 | 4.36 |
| Prolific Intl. | 96.3 | 103.5 | -0.1 | 1.54 |
| Prolific N. Amer. | 132.0 | 141.9 | -0.4 | 2.16 |
| Prolific Spec. Sits. | 175.4 | 186.0 | +0.6 | 1.02 |
| Prolific Technology | 111.5 | 119.9 | -0.4 | 0.55 |

### Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

| | | | | |
|---|---|---|---|---|
| Japan Inc. | 60.8 | 64.7 | -0.8 | 0.00 |
| Japan Acc. | 61.0 | 64.9 | -0.8 | 0.00 |
| Worldwide Inc. | 61.2 | 65.2 | -0.8 | 1.50 |
| Worldwide Acc. | 61.9 | 65.9 | -0.7 | 1.50 |
| European Tst Inc. | 74.5 | 79.3 | -1.3 | 0.67 |
| European Tst Acc. | 74.6 | 79.4 | -1.3 | 0.67 |
| North American Inc. | 53.7 | 57.2 | -0.6 | 1.71 |
| North American Acc. | 54.4 | 57.9 | -0.6 | 1.71 |

### Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

| | | | | |
|---|---|---|---|---|
| American Fund | 210.4 | 224.1 | -2.1 | 2.14 |
| (Accum. Units) | 236.3 | 251.7 | -2.3 | 2.14 |
| (Withdrawal Units) | 152.3 | 162.2 | -1.6 | 2.14 |
| Australian Fund | 113.5 | 120.9 | +0.3 | 0.95 |
| (Accum. Units) | 114.7 | 122.2 | +0.3 | 0.95 |
| British Fund | 516.4 | 550.0 | +2.0 | 4.36 |
| (Accum. Units) | 687.3 | 732.1 | +2.7 | 4.36 |
| European Fund | 233.5 | 248.7 | -3.8 | 0.97 |
| (Accum. Units) | 248.9 | 261.9 | -4.0 | 0.97 |
| Japan Fund | 239.8 | 255.4 | -4.7 | 0.39 |
| (Accum. Units) | 240.5 | 256.2 | -4.7 | 0.39 |
| Salvus PPP | 143.6 | 151.3 | — | — |

### Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

| | | | | |
|---|---|---|---|---|
| Equity Tst. | 351.6 | 374.0 | +2.6 | 2.63 |
| North America | 54.5 | 57.9 | -0.5 | 1.76 |
| Far East | 61.2 | 65.1 | -0.7 | 1.49 |

### Sun Life Trust Mngmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

| | | | | |
|---|---|---|---|---|
| American Growth Acc. | 28.2 | 30.0 | +0.3 | 1.7 |
| American Income Acc. | 27.9 | 29.7 | +0.2 | 4.2 |
| American Income Inc. | 27.5 | 29.3 | +0.1 | 4.3 |
| European Growth Acc. | 41.5 | 44.1 | -1.1 | 2.00 |
| Far East Growth Acc. | 31.6 | 33.6 | -0.1 | 0.7 |
| Int. Growth Acc. | 29.3 | 31.2 | -0.3 | 0.8 |
| Japan Growth Acc. | 39.5 | 42.0 | +0.6 | 0.3 |
| UK Growth Acc. | 32.4 | 34.5 | +0.6 | 2.2 |
| UK Income Acc. | 28.5 | 30.3 | +0.2 | 4.1 |
| UK Income Inc. | 27.0 | 28.6 | +0.1 | 4.2 |
| Managed Growth Acc. | 33.8 | 36.0 | -0.3 | 2.1 |
| Managed High Yield Inc. | 33.0 | 35.1 | +0.4 | 6.7 |
| Managed Income Inc. | 29.2 | 31.1 | +0.1 | 4.0 |

### Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks 0732 450163

| | | | | |
|---|---|---|---|---|
| Equity Dist.* | 241.9 | 255.9 | — | 3.84 |
| Equity Acc.* | 291.0 | 307.9 | — | 3.84 |
| Fixed Int. Dist.† | 112.8 | 116.8 | — | 11.58 |
| Fixed Int. Acc.† | 165.4 | 171.3 | — | 11.58 |

*Prices on Feb 12. Next dealing Mar 12
†Prices on Feb 5. Next dealing March 5

### TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 Dealings to 0264 63432-3

| | | | | |
|---|---|---|---|---|
| TSB American | 108.5 | 115.5 | -0.8 | 1.09 |
| Do. Accum. | 112.9 | 120.2 | -0.9 | 1.09 |
| TSB Extra Income | 96.2 | 102.4 | +0.1 | 5.75 |
| Do. Accum. | 112.5 | 119.7 | +0.2 | 5.75 |
| TSB General | 142.7 | 151.9 | +0.6 | 2.89 |
| Do. Accum. | 232.3 | 247.2 | +1.0 | 2.89 |
| TSB Gilt & Fxd Int. | 45.5 | 48.5 | +0.3 | 9.18 |
| Do. Accum. | 59.6 | 62.1 | +0.3 | 9.18 |

### Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 28291

| | | | | |
|---|---|---|---|---|
| Fixed Int. Dep. Acc. | 213.4 | 224.7 | — | — |
| Equity Acc. | 571.8 | 601.4 | — | — |
| Property Acc. | 309.6 | 325.9 | — | — |
| Far East Acc. | 125.8 | 121.9 | — | — |
| Managed Cap. | 286.2 | 301.3 | — | — |
| Managed Acc. | 461.5 | 485.8 | — | — |
| O'seas Earnings Acc. | 377.8 | 397.7 | — | — |
| Gilt Edged Acc. | 245.0 | 257.9 | — | — |
| American Equity Acc. | 337.3 | 355.1 | — | — |
| American Man. Acc. | 162.5 | 171.1 | — | — |
| American Prop Acc. | 123.4 | 129.9 | — | — |
| Pen.F.I.Dep.Cap. | 235.3 | 247.7 | +0.4 | — |
| Pen.F.I.Dep.Acc. | 358.9 | 377.8 | +0.6 | — |
| Pen. Prop. Cap. | 378.6 | 398.6 | +0.1 | — |
| Pen. Prop. Acc. | 638.2 | 671.8 | +0.6 | — |
| Pen. Man. Cap. | 587.2 | 618.2 | +8.1 | — |
| Pen. Man. Acc. | 988.5 | 1040.6 | +14.3 | — |
| Pen. Gilt Edg. Cap. | 254.4 | 267.8 | +2.7 | — |
| Pen. Gilt Edg. Acc. | 390.0 | 368.5 | +4.1 | — |
| Pen. Eq. Cap. | 944.0 | 993.7 | +16.5 | — |
| Pen. Eq. Acc. | 1204.4 | 1267.8 | +22.0 | — |
| Pen. Am. Eq Cap. | 133.0 | 140.1 | +2.0 | — |
| Pen. Am. Eq Acc. | 143.1 | 150.7 | +2.2 | — |
| Pen. Far East Cap. | 133.5 | 140.6 | +4.5 | — |
| Pen. Far East Acc. | 143.6 | 151.2 | +4.9 | — |
| Pen. B.S. Cap. | 247.9 | 260.9 | +0.6 | — |
| Pen. B.S. Acc. | 368.0 | 386.5 | +0.9 | — |
| Pen. D.A.F. Cap. | 262.8 | 262.8 | +0.7 | — |
| Pen. D.A.F. Acc. | 262.8 | 262.8 | +0.7 | — |
| Pen. Mortgage Cap. | 111.5 | 117.4 | +0.2 | — |
| Pen. Mortgage Acc. | 120.0 | 126.4 | +0.3 | — |

### Ambassador Life Ass. Co Ltd
80 Holdenhurst Rd, Bournemouth 0202 292345

| | | | | |
|---|---|---|---|---|
| Equity Fd Acc. | 115.9 | 122.1 | -0.2 | — |
| Equity Fd Cap. | 107.5 | 113.2 | -0.2 | — |

### Baltic Assurance Funds
11 New Street, London EC2M 4TP 01-493 9899

| | | | | |
|---|---|---|---|---|
| Managed Growth | 228.10 | 240.11 | +2.43 | — |
| Managed Income | 109.33 | 115.08 | -0.04 | — |

### Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

| | | | | |
|---|---|---|---|---|
| Barclaybond | 321.8 | 338.8 | -0.4 | — |
| Equity Accum. | 384.0 | 404.3 | +0.1 | — |
| Do. Initial | 343.9 | 362.1 | +0.1 | — |
| Gilt-edged Accum. | 193.2 | 203.4 | +0.9 | — |

### Continental Life Insurance PLC
64/70 High St, Croydon CR0 9XN 01-680 5225

| | | | | |
|---|---|---|---|---|
| Equity Acc. | 260.0 | 260.0 | — | — |
| Property Acc. | 253.6 | 267.0 | — | — |
| Int Acc. | 189.8 | 199.8 | — | — |
| Managed Acc. | 234.1 | 246.5 | — | — |
| Spec Sits Acc. | 202.8 | 213.5 | — | — |
| Investment Tst Acc. | 113.7 | 119.7 | — | — |
| Pen Int Acc. | 206.7 | 217.6 | — | — |
| Pen Prop Acc. | 315.5 | 332.2 | — | — |
| Pens Equity Acc. | 400.1 | 421.2 | — | — |
| Pen Mngd Acc. | 258.4 | 272.1 | — | — |
| Pens F & C Man Acc. | 120.9 | 127.3 | — | — |
| Pens Inv Trust Acc. | 133.0 | 140.1 | — | — |

Prices for other funds available on 01-377 8682

### Cornhill Insurance PLC
57, Ladymead, Guildford 0483 68161

| | | | | |
|---|---|---|---|---|
| Equity Fd (A&B) Feb 12 | 211.0 | 222.5 | — | — |
| Fixed Int (A&B) Feb 12 | 155.0 | 163.5 | — | — |
| Man Growth (A&B) Feb 12 | 457.5 | 482.0 | — | — |
| Money Fd (A&B) Feb 12 | 135.5 | 143.0 | — | — |
| Cap Fd (A&B) Feb 15 | 332.0 | | — | — |
| G.S. Sup Fd (A&B) Feb 15 | 140.5 | | — | — |
| Eur Gwth Eqty (A&B) Feb 12 | 129.5 | 136.5 | — | — |
| N.Amer Eqty (A&B) Feb 12 | 119.0 | 125.5 | — | — |
| Intl Growth (A&B) Feb 12 | 102.0 | 107.5 | — | — |
| Property (A&B) Feb 5 | 133.0 | 140.5 | — | — |

### Credit & Commerce Life Ass. Ltd
74 Shepherds Bush Green, W12 8SD 01-740 7070

| | | | | |
|---|---|---|---|---|
| **Life Funds** | | | | |
| UK Equity | 129.1 | 136.2 | — | — |
| American Equity | 110.2 | 116.2 | — | — |
| Far East Equity | 109.5 | 115.5 | — | — |
| Managed Fund Acc. | 326.0 | 343.0 | — | — |
| International Equity | 160.2 | 169.0 | — | — |
| Gilt Edged | 177.6 | 187.3 | — | — |
| Money Fund | 138.9 | 146.5 | — | — |
| CCL Henderson | 129.4 | 136.5 | — | — |
| CCL Perpetual | 175.5 | 185.0 | — | — |
| CCL Property | 186.6 | 196.8 | — | — |
| Smaller Cos. | 221.5 | 233.6 | — | — |
| **Pension Funds** | | | | |
| UK Equity | 139.7 | 147.3 | — | — |
| American Equity | 116.1 | 122.4 | — | — |
| Far East Equity | 116.9 | 123.3 | — | — |
| Managed Fund Acc. | 363.9 | 383.9 | — | — |
| International Equity | 174.7 | 184.3 | — | — |

### General Portfolio Life Ins. Plc
Crossbrook St, Cheshunt, Herts 0992 31971

| | | | | |
|---|---|---|---|---|
| Portfolio Fd Acc. | 365.4 | 365.4 | -0.1 | — |
| Portfolio Fd Int. | 274.2 | 274.2 | -0.2 | — |
| Portfolio Fd. Inc. A | 366.3 | 384.6 | -0.1 | — |
| UK Equity | 168.3 | 177.3 | -0.3 | — |
| Overseas Equity | 130.4 | 137.3 | -0.3 | — |
| Smaller Companies | 107.2 | 113.1 | +0.2 | — |
| Gilt Plus | 109.6 | 115.4 | +0.7 | — |
| Gilt Plus 88 | 106.9 | 112.6 | +0.3 | — |
| Fixed Int Dep | 107.0 | 112.7 | +0.1 | — |
| Managed | 144.3 | 152.0 | — | — |
| Inter Man | 132.7 | 139.8 | — | — |

For other prices please telephone 0992 31971

### Gresham Unit Assurance Ltd
2-6 Prince of Wales Rd, Bournemouth 0202 767655

| | | | | |
|---|---|---|---|---|
| Managed Fd | 372.8 | 392.4 | — | — |
| Money Fd | 178.0 | 187.4 | — | — |
| Equity Fd | 324.6 | 342.0 | — | — |
| Fixed Int. Fd. | 132.1 | 139.3 | — | — |
| Property Fd | 203.6 | 214.3 | — | — |
| Managed Pen. Fd. | 381.7 | 402.2 | +7.4 | — |
| Equity Pension Fd. | 236.8 | 249.5 | +3.7 | — |
| Fixed Int. Pen. Fd. | 199.9 | 210.4 | +0.8 | — |
| High Yield Pen. Fd. | 200.1 | 210.9 | +1.0 | — |
| Money Pension Fd. | 161.5 | 170.0 | +0.4 | — |
| Property Pension Fd. | 162.7 | 171.4 | — | — |
| **Gresham/Framlington** | | | | |
| American & Gen. Fd. | 297.2 | 313.2 | +2.2 | — |
| Capital Fd. | 346.4 | 365.0 | +0.2 | — |
| European Fund | 95.0 | 100.0 | — | — |
| Income Fd. | 317.0 | 334.0 | +1.0 | — |
| Intl Growth Fd. | 291.5 | 307.2 | +1.8 | — |
| Japan & Gen. Fd. | 124.1 | 130.8 | +0.9 | — |
| Recovery Fd. | 221.5 | 233.4 | +0.6 | — |

### Growth & Sec. Life Ass. Soc. Ltd
47 London Fruit Exchange, E1 6EU 01-377 9345

| | | | | |
|---|---|---|---|---|
| Flexible Finance | | 168.9 | — | — |
| Landbank Secs. | | 66.06 | — | — |
| Landbank Secs. Acc. | 234.8 | 220.3 | — | — |
| G. & S. Super Fd. | | £12.5099 | — | — |

### Guardian Royal Exchange
Royal Exchange, EC3 01-283 7101

| | | | | |
|---|---|---|---|---|
| **Guardian Assurance** | | | | |
| Property Bonds | 362.7 | 377.8 | — | — |
| **GRE Linked Life Assurance Ltd** | | | | |
| Managed Initial | 305.5 | 321.6 | +2.4 | — |
| Do. Accum. | 357.5 | 376.3 | +2.8 | — |

### Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU Burgh Heath 53456

| | | | | |
|---|---|---|---|---|
| Ex. Rldg. Sec. Luted | 103.6 | 109.1 | — | — |
| Do. Accum. | 106.9 | 112.6 | +0.1 | — |
| Exempt Cash Init. | 186.8 | 196.7 | +0.1 | — |
| Do. Accum. | 242.9 | 255.7 | +0.1 | — |
| Exempt Eqty Init. | 563.7 | 593.4 | +3.7 | — |
| Do. Accum. | 732.9 | 771.5 | +4.7 | — |
| Exempt Euro Init. | 95.0 | 100.0 | — | — |
| Do. Accum. | 95.0 | 100.0 | — | — |
| Exempt Far East'n Init. | 95.0 | 100.0 | — | — |
| Do. Accum. | 95.0 | 100.0 | — | — |
| Exempt Fixed Init. | 311.0 | 327.4 | +1.7 | — |
| Do. Accum. | 404.4 | 425.7 | +2.2 | — |
| Ex. Index Lnk. Gilt | 97.6 | 102.8 | +0.5 | — |
| Do. Accum. | 108.5 | 114.3 | +0.7 | — |
| Exempt Intl. Initial | 174.6 | 183.8 | -0.4 | — |
| Do. Accum. | 203.7 | 214.5 | -0.4 | — |
| Exempt Mngd Init. | 432.1 | 454.9 | +1.8 | — |
| Do. Accum. | 558.2 | 587.6 | — | — |
| Exempt N. Amer. Init. | 95.0 | 100.0 | — | — |
| Do Accum. | 95.0 | 100.0 | — | — |
| Exempt Prop Init. | 185.2 | 195.0 | — | — |
| Do. Accum. | 241.6 | 254.4 | — | — |
| Sh. Deposit Init. | 136.1 | 143.3 | +0.1 | 12.5 |
| Do. Accum. | 157.0 | 165.3 | +0.1 | 12.5 |

Prices for Series 2 Pensions.
For other prices Tel. Burgh Heath 53456

### Legal & General Prop. Fd. Mgrs. Ltd
11 Queen Victoria St, EC4N 4TP 01-248 9678

| | | | | |
|---|---|---|---|---|
| L & G Feb 1 | 156.2 | 163.0 | — | — |

Next sub day April 1

### Liberty Life Assurance Co. Ltd
Station Rd, New Barnet 01-440 8210
Fund Managers, Touche Remnant & Co

| | | | | |
|---|---|---|---|---|
| Sel Sec A | 29.6 | 31.0 | — | — |
| Managed | 23.3 | 24.4 | — | — |
| Equity | 28.7 | 29.7 | — | — |
| Blue Chip | 26.6 | 28.0 | — | — |
| Special Sits | 26.2 | 27.6 | — | — |
| International | 32.9 | 34.7 | — | — |
| American | 21.7 | 22.9 | — | — |
| Pacific | 24.7 | 26.0 | — | — |
| Property | 20.1 | 21.2 | — | — |
| Fixed Yield | 20.9 | 22.1 | — | — |
| Index Linked Secs. | 11.3 | 11.9 | — | — |
| Int Currency | 15.5 | 16.4 | — | — |
| Deposit | 17.3 | 18.3 | — | — |

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# INSURANCE, OVERSEAS & MONEY FUNDS

**World Fund S.A.**
2 Boulevard Royal, Luxembourg

| | | | | |
|---|---|---|---|---|
| World Fund NAV | $15.24 | | .... | — |

**World Wide Growth Management◆**
10a, Boulevard Royal, Luxembourg

| | | | | |
|---|---|---|---|---|
| Worldwide Gth Fd | $15.21 | | −0.04 | — |

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

**Yamaichi Dynamic Mngt Co SA**
10A Boulevard Royal, Luxembourg

| | | | | |
|---|---|---|---|---|
| Advanced Tech | $14.03 | | +0.15 | — |
| Dynamic Grwth Fd | $12.87 | | +0.06 | — |

**Zero Bond Fund Limited**
PO Box 208, St Peter Port, Guernsey 0481 26268

| | | | | |
|---|---|---|---|---|
| Zero Bond Fund | $10.69 | 11.35 | | — |

## Money Market Trust Funds

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **The Charities Deposit Fund** | | | | |
| 77 London Wall, London EC2N 1DB 01-588 1815 | | | | |
| Deposit | 12.20 | | ... | 3-Mth |
| **The Money Market Trust** | | | | |
| 63 Qn Victoria St, EC4N 4ST. 01-236 0952 | | | | |
| Call Fud | 12.38 | 9.29 | 13.58 | Mth |
| 7-day Fud | 12.33 | 9.21 | 13.53 | Mth |
| **Oppenheimer Money Management Ltd** | | | | |
| 66 Cannon St, EC4N 6AE. 01-236 1425 | | | | |
| Call Fud | 12.41 | 9.28 | 13.57 | 6-Mth |
| 7-day Fund | 12.39 | 9.26 | 13.53 | 6-Mth |
| Dollar | 6.75 | — | — | 6-Mth |

## Money Market Bank Accounts

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Adam & Co. plc** | | | | |
| 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484 | | | | |
| Full Service Cur Acc | 11.50 | 8.50 | 12.93 | Qtr |
| **Aitken Hume** | | | | |
| 30 City Road, EC1Y 2AY. 01-638 6070 | | | | |
| Treasury Acc | 11.75 | 8.78 | 12.97 | Qtr |
| Mth. Inc. Chq. | 11.75 | 8.78 | 13.06 | Mth |
| **Allied Arab Bank Ltd** | | | | |
| 97-101 Cannon St, London, EC4N 5AD 01-283 9111 | | | | |
| HIBCA | 13.03 | 9.72 | 14.52 | mth |
| **Bank of Scotland** | | | | |
| 38 Threadneedle St, EC2P 2EH. 01-628 8060 | | | | |
| Money Mkt Cheque Acc | 12.15 | 9.08 | 13.53 | Mth |
| **Barclays Prime Account** | | | | |
| PO Box 125, Northampton 0604 252891 | | | | |
| High Int. Cheque | 12.25 | 9.125 | 13.49 | Qtr |
| **Britannia Investment Services Ltd.** | | | | |
| 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777 | | | | |
| Cater Allen | 12.00 | 8.97 | 13.3544 | Mth |
| **Charterhouse Japhet plc** | | | | |
| 1 Paternoster Row, EC4M 7DH. 01-248 3999 | | | | |
| Sterling | 12.00 | 8.96 | 13.35 | Mth |
| U.S. Dollar | 7.25 | 7.25 | 7.50 | Mth |
| German Marks | 4.25 | 4.25 | 4.33 | Mth |
| Swiss francs | 1.50 | 1.50 | 1.51 | Mth |
| Japanese Yen | 5.00 | 5.00 | 5.12 | Mth |
| **Citibank Savings** | | | | |
| St Martins Hse, Hammersmith Grove 01-741 4941 | | | | |
| Money Market Plus | — | 9.34 | 13.99 | Mth |
| **Co-operative Bank Cheque & Save** | | | | |
| 78-80 Cornhill EC3 01-626 6543. | | | | |
| £500-£2,500 | 9.50 | 7.10 | 10.41 | Qtr |
| £2,500 + | 12.06 | 9.02 | 13.33 | Qtr |
| **Dartington & Co Ltd** | | | | |
| Dartington, Totnes, Devon TQ9 6JE. 0803 862271 | | | | |
| Money Mkt Acc | 12.00 | 8.97 | 13.24 | Qtr |
| **Edward Manson & Co Ltd** | | | | |
| 9 Henrietta Place W1M 9AG 01-631 3313 | | | | |
| Cheque Deposit Acc | 12.50 | 9.34 | 13.93 | Mth |
| **Henderson/Bank of Scotland** | | | | |
| 38 Threadneedle St EC2P 2EH 01-628 8060 | | | | |
| Money Mkt. Cheque Acc. | 12.15 | 9.08 | 13.53 | Mth |
| **Legal & General (Money Mngrs) Ltd** | | | | |
| 395 Euston Road, NW1 3AG 01-388 3211 | | | | |
| High Int Dep Acc | 12.04 | 9.00 | 13.34 | 6-mth |
| **Lloyds Bank PLC** | | | | |
| 71 Lombard St, London, EC3P 3BS. 01-626 1500 | | | | |
| HighIntCheque Account | 11.75 | 9.00 | 13.30 | Qtr |
| **Lombard North Central PLC** | | | | |
| 17 Bruton St, W1A 3DH. 01-409 3434 | | | | |
| 14-Day Notice | 12.500 | 9.344 | 13.349 | — |
| **M & G/Kleinwort Benson** | | | | |
| 91-99 New London Rd, Chelmsford. 0245 51651 | | | | |
| H.I.C.A. | 12.00 | 8.97 | 13.37 | Daily |
| **Midland Bank plc** | | | | |
| PO Box 2, Sheffield. 0742 20999 Ext 8655 | | | | |
| High Int Chq Acc | 11.71 | 8.75 | 12.92 | Qtr |
| £10,000 + | 12.04 | 9.00 | 13.30 | Qtr |
| **Oppenheimer Money Mgmnt Ltd** | | | | |
| 66, Cannon St, EC4N 6AE. 01-236 1425 | | | | |
| Money Mngt. Acct | 11.875 | — | — | 3-Mth |
| **Phillips & Drew Trust Ltd** | | | | |
| 120 Moorgate, London EC2M 6XP 01-628 9771 | | | | |
| High Int Chq Acc | 12.25 | 9.16 | 13.54 | Qtr |
| **Provincial Trust** | | | | |
| 30 Ashley Rd, Altrincham, Cheshire 061-928 9011 | | | | |
| High Int Chq Acc | 12.50 | 9.34 | 13.95 | Mth |
| **Royal Bank of Scotland plc** | | | | |
| 24 Lombard St, London EC3V 9BA 031-557 0201 | | | | |
| Premium Account | 12.15 | 9.08 | 13.42 | Qtr |
| **Save & Prosper/Robert Fleming** | | | | |
| 28 Western Rd, Romford RM1 3LB. 0708 66966 | | | | |
| H.I.B.A. | 11.63 | 8.70 | 12.98 | Daily |
| **Tyndall & Co** | | | | |
| 29-33 Princess Victoria St, Bristol. 0272 732241 | | | | |
| Demand Acc | 12.36 | 9.24 | 13.66 | Qtr |
| Money Acc. | 12.04 | 9.00 | 13.29 | Qtr |
| **J. Henry Schroder Wagg & Co Ltd** | | | | |
| Enterprise House, Portsmouth 0705 827733 | | | | |
| Special Acc. | 11.75 | 8.78 | 13.06 | Mth |
| Over £10,000 | 12.00 | 8.97 | 13.34 | Mth |
| **Western Trust & Savings Limited** | | | | |
| The Moneycentre, Plymouth PL1 1SE 0752 24141 | | | | |
| High Int Chq Acc | 12.63 | 9.44 | 13.97 | Qtr |

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

## TRADITIONAL OPTIONS

### 3-month call rates

| Industrials | p | | p |
|---|---|---|---|
| Allied-Lyons | 28 | Marks & Spencer | 13 |
| BAT | 26 | Metal Closures | 14 |
| BOC Grp | 27 | Midland Bk | 35 |
| BSR | 8 | NEI | 10 |
| BTR | 35 | Nat West Bk | 55 |
| Babcock | 13 | P & O Dfd | 35 |
| Barclays | 33 | Plessey | 14 |
| Beecham | 30 | Polly Peck | 21 |
| Blue Circle | 50 | Racal Elect | 15 |
| Boots | 18 | RHM | 22 |
| Bowaters | 30 | Rank Org Ord | 35 |
| Brit Aerospace | 32 | Reed Intnl | 60 |
| Brit. Telecom | 17 | Sears | 11 |
| Brown (J.) | $3\frac{1}{2}$ | TI | 35 |
| Burton Ord | 45 | Tesco | 24 |
| Cadburys | 13 | Thorn EMI | 34 |
| Charter Cons | 18 | Trust Houses | 12 |
| Comm Union | 23 | Turner Newall | $9\frac{1}{2}$ |
| Courtaulds | 13 | Unilever | 90 |
| Distillers | 36 | Vickers | 35 |
| FNFC | 12 | **Property** | |
| Gen Accident | 55 | Brit Land | 14 |
| Gen Electric | 14 | Land Secs | 26 |
| Glaxo | 100 | MEPC | 26 |
| Grand Met | 30 | Peachey | 24 |
| GUS 'A' | 70 | Samuel Props | 15 |
| Guardian | 60 | **Oils** | |
| GKN | 29 | Brit. Oil & Min | $3\frac{1}{2}$ |
| Hanson Tst. | 18 | Brit Petroleum | 45 |
| Hawker Sidd | 36 | Burmah Oil | 27 |
| ICI | 42 | Charterhall | 4 |
| 'Imps' | 16 | Premier | 5 |
| Jaguar | 27 | Shell | 55 |
| Ladbroke | 27 | Tricentrol | 18 |
| Legal & Gen | 60 | Ultramar | 18 |
| Lex Service | 24 | **Mines** | |
| Lloyds Bank | 35 | Cons Gold | 40 |
| Lucas Inds | 38 | Lonrho | 12 |
| | | Rio T Zinc | 58 |

A selection of Options traded is given on the London Stock Exchange Report Page.

## OFFSHORE AND OVERSEAS

# COMMODITIES AND AGRICULTURE

## Wolff reaches parting of ways

BY ANDREW GOWERS

MONTHS of agonising uncertainty for traders at Rudolf Wolff, the London-based commodity and financial futures company, should come to an end today, when Noranda, its Canadian parent, signs an agreement to sell its financial and energy futures divisions to Elders Finance Group of Australia.

But all may not be sweetness and light in the metals and agricultural commodities parts of the business, which are staying—apparently against their will—within the Canadian mining group.

Yesterday's announcement is another sign that the same sort of realignment is sweeping through London's commodity trading fraternity as has been evident for a couple of years now in the US. Rudolf Wolff is one of the oldest-established and largest traders in London—but as Elders well knows, the newest parts of the business, the fast-growing financial and energy futures side, are most definitely the jewels in its crown.

As Mr Bill Deeks, president of Noranda Sales Corporation, explained in London yesterday, the sale of all or part of Wolff has not been the happiest of affairs. Wolff's management had wanted the company to be sold off intact to a new financially-oriented owner which would give the required extra backing to the financial side while retaining the traditional base from which its skills grew.

That was an aim which Noranda appears originally to have shared. As far back as 1984, it held preliminary talks with a number of financial institutions on a possible sale, although these were abondened when Noranda found "the chemistry wasn't terribly good," as Mr Deeks put it.

The subject came up again last year, when Noranda faced an urgent need to reduce its debts by C$1bn (£504m). The Canadian mining group had already sold its 31 per cent holding in Place Development, a Vancouver-based gold and base metals producer, for C$334m, as well as a 49 per cent stake in Pamour Porcupine gold mine of Ontario for C$34m, but was still hungry to raise more cash.

Then came the tin crisis. The proposed sale of Wolff was the subject of a meeting between Noranda and its financial advisers Phoenix Securities last October 29—just a few days after the International Tin Council ran out of money with which to support the tin market. The erosion of confidence in companies heavily committed on the London Metal Exchange like Wolff was instantaneous.

Ironically, Noranda's desire to sell the company had nothing to do with the tin crisis, but its task was inevitably made much more difficult by the continuing threat of large losses—a liability of £5m in the case of Wolff—hanging over the market.

Finally, Mr Deeks and his colleagues were forced, in the small hours of February 8, to conclude that a splitting up of Wolff was essential if a quick sale was to be achieved.

And a quick sale it certainly was: although Elders and Noranda had been talking off and on for two years, today's deal was hammered out in just over a week.

The proposed splitting up of the company apparently deeply upset Mr Bruce Leeming, its managing director, who resigned last week.

However, the effect on Wolff's traditional businesses, which will continue to trade under the company name, is difficult to gauge. Noranda is at pains to emphasise that Wolff will continue to enjoy the fullest backing from its parent in the tin crisis though Mr Deeks says some sort of reorganisation will eventually be necessary, and the tin crisis may necessitate a small number of job losses.

The metals and commodities side is apparently still profitable, though only just. Mr Deeks said that in the absence of the tin crisis, it would have the capacity to generate earnings of between £2m and £3m a year.

For Elders, the acquisition of the financial and energy parts of the business, focused in London, New York and Chicago together with subsidiary offices in Switzerland and Kuwait, seems a logical move to complement its existing financial business in the Asia-Pacific region.

Noranda, meanwhile, will continue to sit on its board for a two-year transitional period, during which Elders will phase out use of the Wolff name.

## Brazil will miss coffee export quota

BRAZIL WILL not be able to meet its 16.8m bags (60 kilos each) International Coffee Agreement export quota in the 1986-87 season, Mr Paulo Graciano, the newly-appointed president of the Brazilian Coffee Institute (IBC) has admitted, reports Reuter from Sao Paulo.

Following today's suspension of quotas Brazil is free to decide how much it wants to sell. The daily newspaper Gazeta Mercantil quoted him as saying: "We will have to rethink the objectives of our coffee policy because there is a shortage provoked by the drought, and we will have to sell less."

Last year's 4-month drought has cut potential output for Brazil's 1986-87 crop nearly in half and is the main reason for the sharp rise in world prices which has triggered the suspension of quotas.

Mr Graciano said the IBC's policy will have to strike a balance between the shortage of coffee, high international prices, the need for foreign exchange and the fight against domestic inflation.

● *Drexel Burnham Lambert* has appointed Mr Tony Bromovsky, formerly of Woodhouse Drake and Carey, as a director as part of its move into physical sugar trading. Mr Jeremy Hill, who recently left Rionda de Pass, will be joining the company soon.

Mr Bromovsky has had eight years experience of dealing in raw sugar while Mr Hill has been dealing in white (refined) sugar for 10 years.

## Rubber price rise continues

BY WONG SULONG IN KUALA LUMPUR

NATURAL RUBBER prices have continued to climb with RSS No. 1, the hedging grade, moving up by 4 cents to 200 Malaysian cents a kilo on the Malaysian Exchange yesterday, the highest level for more than a year.

Traders said prices were buoyed by speculative interest and short covering, particularly by Japanese buyers. Bouts of profit taking were well absorbed, they added.

"The underlying tone is one of firmness, reflecting the tightness of supply" said an official of the Malaysian Rubber Exchange. He pointed out that stocks are very low in consuming countries as well as producing countries in Southeast Asia.

Early this month, the rubber price broke above the "may buy" level of 171 Malaysian/Singapore cents a kilo, set by the International Natural Rubber Organisation, for the first time in eight months.

The uptrend in the past week has also been attributed to reports that this year's wintering could be much more severe than the mild wintering of last year, and this could lead to a scarcity of physical rubber in the next few months. Estates say it is still too early to make a forecast, however.

Wintering began in the northern Malaysian states late last month and is spreading south.

Malaysian officials are beginning to feel cautiously optimistic that prices could remain firm throughout the year. Apart from the tight supply, they are hopeful that lower oil prices will stimulate greater economic activity in the West, with the benefits of greater rubber demand coming through in the second half of the year.

The Malaysian Commodities Exchange will introduce SMR 20 as the second hedging grade for rubber from March 3 to stimulate greater interest. Malaysian officials say SMR 20 now accounts for more than 40 per cent of the country's rubber output compared with less than 10 per cent for RSS No. 1.

## Jute demand strengthens

BY OUR CALCUTTA CORRESPONDENT

IMPROVED DEMAND has raised hopes that India's jute mills could be entering a period of prosperity. In December offtake of jute goods was substantially higher than output and exporters were complaining of a shortage of supplies from manufacturers.

The mills have denied that there is a shortage but statistics from the Indian Jute Mills Association (IJMA) show that stocks fell in December despite a substantial increase in production to more than 100,000 tonnes.

Demand for jute is strong at the moment, both domestically and in export markets. At 27,000 tonnes December export shipments were up 3,000 tonnes from November, while local offtake was 7,000 tonnes higher at 98,000 tonnes, according to IJMA figures.

But the IJMA chairman, Mr B. K. Jalan, still complained that domestically produced synthetic bags, which carry no excise duty, were taking sales from jute, especially in the cement industry. He said the current expansion of synthetic bags production capacity from 300,000 tonnes a year to 500,000 tonnes posed a long term threat to the survival of the jute industry.

## Dominican Republic sugar emergency

THE DOMINICAN Republic's sugar industry is not expected to produce more than 700,000 tonnes this year, against annual average output of just over 1m tonnes, writes Canute James.

The government has declared a state of emergency for the industry, and has sent soldiers and civil servants into cane fields to assist with reaping.

The industry has been hit by the absence this year of 18,000 cane cutters from neighbouring Haiti. The government has cancelled the 6-month contracts of most of the guest workers because of low world prices, while others have not been able to enter the country because the borders were sealed

### Andrew Gowers on the latest blow to the commodity exchange

## Business as usual in Paris

THE CHAMPAGNE lost a lot of its sparkle at the Paris Commodity Exchange's centenary celebrations last December.

Brokers had been looking forward to commemorating the 100th anniversary of the so-called "Naquet law"—French legislation permitting the operation of futures markets—and to drinking to the opening of a new set of trading rings. But two weeks before, they were stopped in their tracks by a deeply embarrassing piece of news: Mr Michel Wiart, the president of the Commodity Brokers Association which runs the exchange, and two of his colleagues had been sentenced to jail terms of between three and five years for irregularities in their dealings with private clients.

The sentences, against which all three are appealing, reawakened terrible memories of the exchange's troubles in the mid-1970s, when its markets had to close for more than a year after the bursting of a speculative bubble in white sugar.

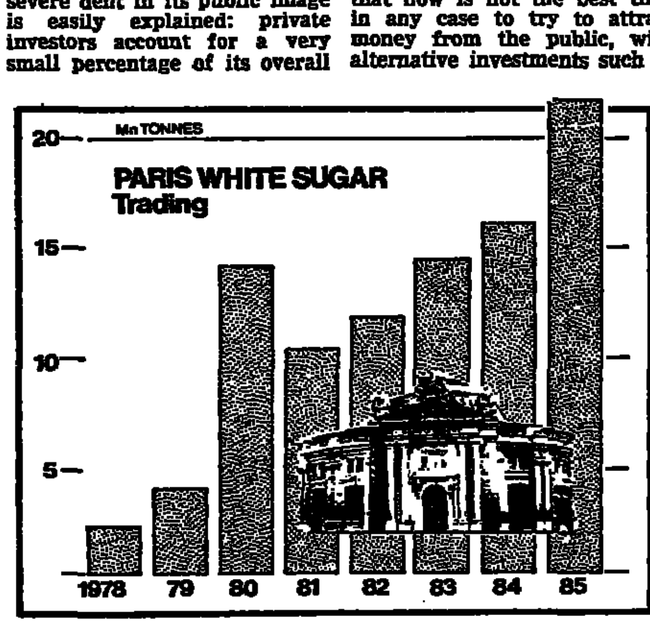
They also dealt a bitter blow, at least for the present, to the hopes of the authorities and the Exchange itself of attracting a greater number of private investors.

Two and a half months on, though, business on the Exchange is looking surprisingly normal. The Brokers Association has a new chairman, Mr Lucien Renier; the Exchange is comfortably installed in its new quarters, built at a cost of about FFr 6m (£590,000) last year; its star white sugar contract is continuing to grow and to steal market share from London; and it is preparing to launch a new contract in cocoa butter to supplement its existing business in cocoa beans.

Although the Paris Exchange is still very small by international standards, it has carved out an important niche for itself in white sugar, an increasing amount of which has been traded internationally over the last few years. Despite its troubles in the 1970's and repeated efforts by London to get into the white sugar business, Paris has succeeded in holding on to and boosting its position.

Trading volume in white sugar last month was 23 per cent up on its level in January 1985, after rising by 28 per cent overall in 1985. Business on the Paris market now equals 79 per cent of London's sugar volume and is catching up fast.

Paris's resilience in the face of what would appear to be a severe dent in its public image is easily explained: private investors account for a very small percentage of its overall volume.




As Mr Renier, the 54-year-old former chairman of sugar trader Jean Lion, explains, last November's indictments have had little impact on the professional trading fraternity. "There's never been any complaint from them in any case," he remarks.

Professionals have been drawn to the Paris sugar market, he says, by its faithful reflection of developments in physical trading. It has received an additional fillip in the last two years by the Exchange's adoption of a facility for conversion of francs into dollars on the market, which has attracted previously reluctant operators from the US.

What is more the Exchange authorities moved swiftly to limit the damage to private investors in the wake of the court judgments. Although the chief of the largest private client business, Mr Georges Maurer, was among those convicted, his company was quietly liquidated by the Association and his clients were compensated at a cost of several million francs.

"The indictments last November were a blow to any hopes of getting in private investors for the moment," admits Mr Renier. But he adds that now is not the best time in any case to try to attract money from the public, with alternative investments such as the Paris stock market performing so strongly.

"It's time to adopt a low profile and get on with our business. When the time is right we'll be out with the propaganda and all that."

The irony is that the sentences referred to events which occurred between 1969 and 1977, and regulation of the exchange has been tightened considerably since then. It is now served by a strong central clearing house, the Banque Centrale de Comensation, and supervised by a watchdog, the Commission des Marches a Terme des Marchandises.

Mr Renier, who took over immediately after Mr Wiart was sentenced and resigned from his post, says beguilingly that he was chosen as "an old-timer with a bit of time on my hands." But if that was the case before he came into the job, his hands are now full to overflowing in preparing the Exchange for its next moves.

The first of these is to get the cocoa butter contract up and running. This was due to be launched on March 15, but technical problems look like putting it back by a few weeks.

Cocoa butter futures, which are being strongly backed by some of the largest French cocoa trading groups, may turn out to be an important innovation for the chocolate manufacturing industry. The product itself constitutes an important element of manufacturers' raw material costs, but up to now they have had to hedge their positions against cocoa bean futures prices.

This, say Paris Exchange officials, creates problems because the relationship between bean and butter prices is extremely volatile: when the cocoa market is strong, bean prices tend to rise by a larger proportionate amount than those for butter. The new futures contract ought in principle to give them an additional hedging medium.

Nevertheless, Mr Renier's hopes for the new contract are quite modest. Cocoa bean trading in Paris is still a tiny fraction of that in London, as is volume in the robusta coffee contract; both are expected to remain "satellites" of London for the foreseeable future. The number of empty seats on its new trading rings is eloquent testimony to how far it needs to travel to enter the big league.

As to other possible contract launches in the future, Paris is looking at agricultural ideas such as pigmeat and grain futures. But the Exchange is treading extremely cautiously — a reflection of Paris's tight regulatory environment, in which *all new contracts have to* be individually approved by the authorities, of the market's straitened finances and of mixed experiences in such contracts elsewhere.

Paris has had its own share of disappointments in this regard, too, with the abortive launch in the 1970's of a soyameal futures contract which attracted precious little interest from the trade.

"We don't feel driven to introduce new contracts just for the sake of it," says Mr Renier.

One other idea which he is discreetly pushing is the admission of "locals" (private floor traders) to the Exchange to increase liquidity. But there he has a long way to go to persuade his fellow brokers, let alone the authorities.

## LONDON MARKETS

COFFEE FUTURES prices continued Monday's advance with the May position closing £106.50 higher at £2,493.50 a tonne. May coffee has now regained £166 of last week's £185 a tonne fall but remains about £100 below the peak reached early last week. The rise was largely on technical grounds, dealers said, noting there was no change in the fundamental situation. The physical market remained quiet, they said, with operators still awaiting today's quota system suspension by the International Coffee Organisation. Some dealers noted an underlying element of caution following the market's recent see-saw performance but the general consensus continued to be for a sustained rally back to and beyond the £3,000 plus levels reached at the beginning of January. On the London Metal Exchange prices were generally lower reflecting sterling's strength.

LME prices supplied by Amalgamated Metal Trading.

### ALUMINIUM

| | Unofficial close (p.m.) £ per tonne | + or — | High/low |
|---|---|---|---|
| Cash | 773-4 | —4 | 769/769 |
| 3 months | 801-.5 | —3 | 806/798 |

Official closing (am): Cash 769-5 (780-1): three months 797-.5 (8006-7); settlement 769.5 (781). Final Kerb close: 800-01. Turnover: 14275 tonnes.

### COPPER

### LEAD

### NICKEL

### ZINC

### GOLD

### SILVER

### MEAT

## INDICES

### FINANCIAL TIMES

| Feb. 18 | Feb. 17 | M'th ago | Year ago |
|---|---|---|---|
| * | * | * | 298.89 |

(Base: July 1 1952=100)

### REUTERS

| Feb. 17 | Feb. 14 | M'th ago | Year ago |
|---|---|---|---|
| 1836.3 | 1842.4 | 1858.4 | 2022.2 |

(Base: September 18 1931 = 100)

### DOW JONES

| Dow Jones | Feb 14 | Feb. 13 | Month ago | Year ago |
|---|---|---|---|---|
| Spot | 126.59 | 125.60 | — | 121.17 |
| Fut. | 125.94 | 127.00 | — | 125.15 |

(Base: December 31 1931=100)
* Not available due to suspension of tin LME

## MAIN PRICE CHANGES

In tonnes unless otherwise stated.

| | Feb. 18 1986 | + or — | Month ago |
|---|---|---|---|
| **METALS** | | | |
| Aluminium | | | — |
| Free Market | $1185/205 | —10 | $1290/220 |
| Copper | | | |
| Cash h Grade | £984.5 | —2 | £1015.5 |
| 3 mths | £1012.25 | —2.5 | £1044.25 |
| Gold Troy oz | $336.5 | +3.25 | $352.75 |
| Lead Cash | £256.5 | —1 | £264.5 |
| 3 mths | £266.75 | —0.5 | £265.75 |
| Nickel | | | |
| Free Mkt | 180/200c | +1 | 178/188c |
| Palladium oz | $101.50 | +0.50 | $106.00 |
| Platinum oz | $375.50 | +0.75 | $374.40 |
| Quicksilver† | $220/230 | | $220/240 |
| Silver troy oz | 410.10p | —2.85 | 436.95p |
| 3 months | 422.40p | —2.70 | 450.70p |
| Tin cash | ‡ | | ‡ |
| 3 months | ‡ | | ‡ |
| Tungsten | $66.62 | | $63.71 |
| Wolfram 22.0lb | $56/63 | | $53/61 |
| Zinc | £418.5 | —9 | £452 |
| 3 months | £428.25 | —9.25 | £466.5 |
| producers | $650/670 | | $680/700 |
| **OILS** | | | |
| Coconut (Phil) | $322.5w | | $380 |
| Palm Malayan | $310x | | $330 |
| **SEEDS** | | | |

## US MARKETS

PRECIOUS METALS traded mixed with platinum continuing to benefit from growing concerns over supply availability in 1986, reports Heinold Commodities. Gold attracted modest support from unrest in South Africa. Copper and aluminium firmed reflecting growing optimism over the US economic outlook. Sugar traded steady awaiting details on the US import quota. Cocoa gained ground on good manufacturer pricing along with arbitrage buying. Coffee moved sharply higher on short-covering on the uncertainty over Brazilian export policy. Cotton came under pressure in the nearbys on a dramatic pick-up in producer offers. The grain complex moved ahead with wheat firmer on the tight free free stocks situation. Soyabeans were featureless reflecting light country movement. Oil markets reacted to reports of slackening demand and fresh price cuts by declining the daily limit in crude oil and products.

### NEW YORK

ALUMINIUM 40,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Feb | 53.40 | — | — | 52.45 |
| March | 53.60 | 53.65 | 52.80 | 53.00 |
| April | 53.90 | — | — | 53.00 |
| May | 54.25 | 54.25 | 53.35 | 53.60 |
| July | 54.90 | 54.70 | 54.15 | 54.20 |
| Sept | 55.55 | — | — | 54.85 |
| Dec | 56.45 | — | — | 55.75 |
| Jan | 56.75 | — | — | 56.05 |
| March | 57.35 | — | — | 56.65 |
| May | 57.95 | — | — | 57.25 |

COCOA 10 tonnes, $/tonnes

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| March | 2105 | 2107 | 2060 | 2069 |
| May | 2154 | 2156 | 2115 | 2115 |

### CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Feb | 55.82 | 56.72 | 55.17 | 57.16 |
| April | 57.77 | 58.70 | 57.77 | 59.27 |
| June | 58.42 | 59.40 | [illegible] | 59.42 |
| August | 56.97 | 57.60 | 56.80 | 58.17 |
| Oct | 55.80 | 60.00 | 58.70 | 57.10 |
| Dec | 57.75 | 58.90 | 57.70 | 59.07 |

LIVE HOGS 30,000 lb, cents/lb

SUGAR WORLD "11" 112,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| March | 5.67 | 5.78 | 5.[illegible] | 5.[illegible] |
| May | 5.92 | 6.03 | 5.89 | [illegible] |
| July | 6.16 | 6.29 | 6.16 | [illegible] |
| Sept | 6.29 | 6.34 | 6.24 | [illegible] |
| Oct | 6.47 | 6.54 | 6.44 | [illegible] |
| Jan | 6.56 | — | — | [illegible] |
| March | 7.04 | 7.12 | 7.00 | 7.0[illegible] |
| May | 7.24 | — | — | 7.2[illegible] |
| July | 7.33 | — | — | — |

# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# Stronger dollar and pound

The dollar and sterling reversed their recent downward slide on the foreign exchanges yesterday, but the dollar closed in London near the day's lows and sterling slipped back from its peaks. Comments by Japanese officials about relaxing regulations on capital outflows, and about the need for another cut in the Bank of Japan's discount rate, supported the dollar and kept it well above the Y180 level. Speculation about lower US interest rates undermined confidence in the dollar however, with the market nervous ahead of a speech before Congress, to be made today by Mr Paul Volcker, chairman of the Federal Reserve Board.

The dollar rose to DM 2.3430 from DM 2.3390; FFr 7.1950 from FFr 7.18 SFr 1.9380 from SFr 1.9250; and Y181.05 from Y180.15.

On Bank of England figures the dollar's index rose to 120.2

*STERLING — Trading* range against the dollar in 1985-86 is 1.4885 to 1.0525. January average 1.4245. Exchange rate index rose 0.4 to 74.0, compared with 82.2 six months ago.

Sterling sliped back a little yesterday afternoon in London, after at one time showing a gain of nearly 1½ cents, to touch a peak of $1.4340-1.4350. It closed ¼ cent higher on the day at $1.4275-1.4285, and also recorded gains against the D-mark and most other major currencies, but again fell back from its best levels. A press report suggesting that Saudi Arabia is not seeking to force oil prices down gave the pound an initial boost, and this was followed by short covering as sterling broke through resistance points at $1.4250 and $1.43.

### £ IN NEW YORK

| Latest | Feb. 18 | Prev. close |
|---|---|---|
| £ Spot | $1.4390-1.4400 | N/A |
| 1 month | 0.53-0.51pm | " |
| 3 months | 1.60-1.56pm | " |
| 12 months | 5.38-5.28pm | " |

Forward premiums and discounts apply to the U.S. dollar

The pound rose to DM 3.3450 from DM 3.3225; FFr 10.2750 from FFr 10.20; SFr 2.7675 from SFr 2.7350; and Y258.50 from Y256.

*D-MARK — Trading range against the dollar in 1985-86 is* 3.4510 to 2.3390. January average 2.4392. Exchange rate index 132.5 against 127.9 six months ago.

The D-mark lost ground to the dollar in Frankfurt yesterday, but was less volatile than the Japanese yen and Swiss franc. The recent rise by these currencies has not been fully matched by the D-mark, but yesterday's fall by the yen and franc came as dealers took profits and bought D-marks. The Bundesbank did not intervene when the dollar rose to DM 2.3524 from DM 2.3456 at the Frankfurt fixing. It closed in Frankfurt at DM 2.3445, compared with DM 2.3395 on Monday.

JAPANESE YEN — Trading range against the dollar in 1985-86 is 263.15 to 180.15. January average 199.95. Exchange rate index 193.8 against 156.9 six months ago.

The yen weakened against the dollar in Tokyo yesterday, as the US currency found further support around the Y180 level. The comment by Mr Noboru Takeshita, Japanese Finance Minister, that Japan is considering easing its regulations on capital outflows, led to renewed demand for the dollar. It was expected this would take the form of lifting a ban on foreign investments by loan trust funds, and raising the ceilings on foreign securities purchases by insurance companies and pension funds. In another move giving support to the dollar. Mr Michio Watanabe, Japanese Trade Minister, called on the Bank of Japan to cut its discount rate. The dollar touched a peak of Y182.40 in early Tokyo trading, and closed at Y181.75 compared with Y180.75 on Monday.

### POUND SPOT—FORWARD AGAINST POUND

| Feb 18 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.4160-1.4345 | 1.4275-1.4285 | 0.52-0.50c pm | 4.29 | 1.57-1.53 pm | 4.34 |
| Canada | 1.9823-1.9984 | 1.9930-1.9970 | 0.03c pm-0.05dis | −0.06 | 0.24-0.11 pm | 0.35 |
| Nethlnd. | 3.76¾-3.80½ | 3.77¾-3.78¾ | 2⅛-1⅞c pm | 6.35 | 6⅝-6 pm | 6.54 |
| Belgium | 68.10-68.91 | 68.40-68.50 | 15-7c pm | 1.93 | 34-23 pm | 1.67 |
| Denmark | 12.29-12.40½ | 12.33¼-12.34¼ | 5⅜-4ore pm | 4.58 | 14½-12⅝ pm | 4.40 |
| Ireland | 1.1001-1.1123 | 1.1062-1.1072 | 0.30-0.15p pm | 2.44 | 0.80-0.40 pm | 2.17 |
| W. Ger. | 3.32½-3.36¼ | 3.34-3.35 | 2⅛-1⅞pf pm | 7.40 | 6⅞-6⅝ pm | 7.77 |
| Portugal | 216¾-219¾ | 218-219 | 270-565c dis | −22.93 | 605-1535d | −19.58 |
| Spain | 209.80-211.64 | 210.83-210.99 | 40c pm-5 dis | −1.00 | 5-130 dis | −1.28 |

### CURRENCY MOVEMENTS

| Feb. 18 | Bank of England Index | Morgan Guaranty Change % |
|---|---|---|
| Sterling | 74.0 | −17.4 |
| U.S. dollar | 120.2 | +10.5 |
| Canadian dollar | 79.3 | −18.1 |
| Austrian schilling | 123.8 | +6.6 |
| Belgian franc | 93.5 | −8.5 |
| Danish Kroner | 84.3 | −2.0 |
| Deutsche mark | 132.5 | +13.0 |
| Swiss franc | 155.8 | +15.6 |

## FINANCIAL FUTURES

# Gilts up on PSBR

Sterling denominated contracts rose on the London International Financial Futures Exchange, as the pound broke out from its recent lethargy on the foreign exchanges and showed gains against the dollar and other major currencies. A press report about a decline in Opec oil production, and a more conciliatory attitude towards prices by Saudi Arabia, helped sentiment, and some dealers felt that the interview on BBC Television with Mrs Margaret Thatcher, the Prime Minister, was another encouraging factor. Further good news for the market was provided by a repayment of £4.5bn in Britain's January Public Sector Borrowing Requirement. Although tax payments make January a favourable month for the PSBR, forecasts for the repayment figure were generally in the region of £2bn.

March gilts opened at 112-05, and rose to a peak of 113-04, before closing at 112-25, compared with 111-28 on Monday.

Short sterling for March delivery opened at 87.50, and touched a high of 87.67, boosted by the stronger pound, and an easing of interest rates on the London money market. Profit-taking towards the close brought the contract back to 87.63, compared with 87.45 previously.

US Treasury bonds reached a new contract high of 88-28 for March delivery, encouraged by remarks by the Japanese Finance Minister about relaxing controls on capital outflows, which is expected to increase demand for US Government paper. But profit-taking when Chicago opened, after the long weekend holiday in the US, pushed the price down to close at 88-06, compared with 88-16 at the Liffe close on Monday.

### STERLING INDEX

| | Feb 18 | Previous |
|---|---|---|
| 8.30 am | 73.7 | 73.5 |
| 9.00 am | 73.8 | 73.5 |
| 10.00 am | 73.8 | 73.5 |
| 11.00 am | 74.0 | 73.6 |
| Noon | 74.4 | 73.6 |
| 1.00 pm | 74.4 | 73.6 |
| 2.00 pm | 74.3 | 73.5 |
| 3.00 pm | 74.2 | 73.5 |
| 4.00 pm | 74.0 | 73.6 |

### PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

| Strike price | Calls—Last March | April | May | June | Sept | Puts—Last March | April | May | June | Sept |
|---|---|---|---|---|---|---|---|---|---|---|
| 1.20 | — | — | — | — | — | — | — | — | — | 0.45 |
| 1.25 | — | — | — | — | — | — | — | — | — | — |
| 1.30 | — | — | — | — | — | — | — | — | — | — |
| 1.35 | — | — | — | — | 8.45 | 0.15 | 0.65 | — | — | — |
| 1.40 | 3.50 | — | — | 4.95 | 5.70 | 0.65 | 2.00 | — | 3.80 | — |
| 1.45 | 0.90 | 1.60 | — | — | — | — | — | — | — | — |
| 1.50 | 0.75 | — | — | 1.25 | 1.90 | — | — | — | — | — |

Previous day's open int. Calls 74,497 Puts 61,620

Volume (mid-day), Calls, — Puts —

EMS EUROPEAN CURRENCY UNIT RATES

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.



## MONEY MARKETS

# London rates fall as pound improves

Interest rates fell on the London money market yesterday, in response to a strong performance by the pound on the foreign exchanges, and much better than expected figures on the UK Public Sector Borrowing Requirement. Following good, and equally surprising money supply and currency reserve figures earlier this month, hopes increased that the next move in bank base rates may be downwards, although the authorities are expected to remain very cautious. Three-month interbank fell to 12¼-12⅛ per cent from 12¼-12⅜ per cent.

The Bank of England forecast a money market shortage of £300m, and provided total help on the day of £272m.

Before lunch the authorities bought £195m bills outright, by way of £24m bank bills in band 1 at 12⅜ per cent; £154m bank bills in band 2 at 12⅜ per cent; and £17m bank bills in band 3 at 12⅜ per cent.

In the afternoon another £92m bills were purchased outright, through £5m bank bills in band 1 at 12⅜ per cent and £87m bank bills in band 2 at 12⅜ per cent.

Late assistance of £55m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £820m. This factor outweighed Exchequer transactions adding £100m to liquidity, a fall in the note circulation of £50m, and bank balances above target by £90m.

In Frankfurt call money was slightly higher at 4.35 per cent, compared with 4.30 per cent, ahead of the result of a new securities repurchase agreement with the Bundesbank. The central bank accepted bids of only DM 6.6bn for the 28-day agreement, compared with DM 9.5bn flowing out of the market today, through an expiring pact. This was not unexpected however, because of the liquid state of the market. The fixed rate of 4.50 per cent for the new agreement was rather high compared with market rates, and contributed to the relatively low level of bids at the tender, of DM 9.4bn.

In Amsterdam call money was firm at 6⅛ per cent, compared with 5¾ per cent as the Dutch Central Bank announced a reduction in the money market credit quota of Fl 5.7bn from Fl 6.4bn for a new three-month period beginning tomorrow. Banks can borrow from the central bank within the quota at the secured loan rate of 5¼ per cent, but then incur penalty rates. The reduction was because of a seasonal improvement in liquidity, and did not reflect a change of monetary policy.

*UK clearing banks base lending rate 12½ per cent since January 9*

### FT LONDON INTERBANK FIXING

(11.00 a.m. Feb. 18)

| Three months U.S. dollars | | Six months U.S. dollars | |
|---|---|---|---|
| bid 7 7/8 | offer 8 | bid 7 7/8 | offer 8 |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### NEW YORK RATES

### LONDON MONEY RATES

### MONEY RATES




FINANCIAL TIMES
PUBLISHED IN LONDON • FRANKFURT • NEW YORK

# LONDON SHARE SERVICE

## BRITISH FUNDS

“Shorts” (Lives up to Five Years)

| 1985/86 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 99[illegible] | 96¾ | Treas. 10pcCnv 1986 | 99[illegible] | | 10.04 | 12.63 |
| 98 | 92¾ | Treas 3pc 1986 | 97[illegible] | +[illegible] | 3.07 | 12.68 |
| 100 | 97½ | Exch. 10½pc 1986 | 99[illegible] | +[illegible] | 10.56 | 12.67 |
| 101⅞ | 99¾ | Treas 12pc 1986 | 99⅞ | +[illegible] | 12.01 | 12.19 |
| 98¼ | 94¼ | Treas 8¼pc 1984-86‡‡ | 98[illegible] | +[illegible] | 8.42 | 12.20 |
| 105[illegible] | 100½ | Exch. 14pc 1986 | 101[illegible] | +[illegible] | 13.85 | 12.21 |
| 95[illegible] | 87¾ | Exch. 2½pc 1986 | 95[illegible] | +[illegible] | 2.61 | 8.31 |
| 104[illegible] | 100¾ | Exch. 13¼pc 1987 | 101[illegible] | +[illegible] | 13.11 | 11.95 |
| 99[illegible] | 96¾ | Treas 10¼pcCv '87 | 98½ | +[illegible] | 10.41 | 11.91 |
| 94¼ | 85¾ | Exch 2½pc 1987 | 94¼ | +¼ | 2.65 | 8.41 |
| 100[illegible] | 96¾ | Exch. 10½pc 1987 | 98½ | +[illegible] | 10.66 | 11.91 |
| 95[illegible] | 89 | Funding 6½pc '85-87‡‡ | 95¼ | +[illegible] | 6.82 | 10.83 |
| 99[illegible] | 95½ | Treas. 10pc 1987 | 97[illegible] | +[illegible] | 10.21 | 11.69 |
| 92[illegible] | 84¼ | Treas 3pc 1987 | 92½ | +[illegible] | 3.24 | 8.81 |
| 102[illegible] | 99⅞ | Treas. 12pc 1987 | 100½ | +¼ | 11.94 | 11.61 |
| 95[illegible] | 90¼ | Treas 7¾pc 1985-88‡‡ | 94½ | +[illegible] | 8.20 | 10.97 |
| 100[illegible] | 95¾ | Exch 10½pc '88 | 98¼ | +¼ | 10.69 | 11.40 |
| 98¼ | 93¼ | Treas 9¾pc Cv '88 | 96¼ | +[illegible] | 10.08 | 11.36 |
| 88 | 80 | Transport 3pc '78-88 | 88 | +¼ | 3.41 | 8.73 |
| 97¾ | 91½ | Treas. 9½pc '88 | 95[illegible] | +[illegible] | 9.93 | 11.39 |
| 102¼ | 97½ | Treas 11½pc 1989 | 100[illegible] | +¼ | 11.45 | 11.32 |
| 97[illegible] | 90¼ | Treas 9¼pc Cnv. '89 | 95[illegible] | +[illegible] | 9.98 | 11.34 |
| 84[illegible] | 79 | Treas 3pc 1989 | 83⅞ | +¼ | 3.58 | 8.84 |
| 99⅞ | 94 | Treas 10½pc 1989 | 98[illegible] | +[illegible] | 10.71 | 11.19 |
| 98¼ | 92 | Exch 10pc 1989 | 96[illegible] | +[illegible] | 10.34 | 11.20 |
| 101[illegible] | 95 | Exch 11pc 1989 | 99¼ | +½ | 11.10 | 11.28 |
| 86¼ | 79 | Treas 5pc 1986-89 | 85¼ | +¼ | 5.83 | 9.72 |
| 99 | 95 | Exch 10¼pcCv '89 | 98[illegible] | +[illegible] | 10.44 | 10.81 |
| 108[illegible] | 103¼ | Treas 13pc 1990‡‡ | 105¼ | +[illegible] | 12.29 | 11.12 |

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

هكذا اصل الأصل



## INDUSTRIALS—Continued

## LEISURE—Continued

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

### Commercial Vehicles

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## NEWSPAPERS, PUBLISHERS

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## INSURANCES

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### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

### Tins

### Miscellaneous

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ▼ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¤ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

| | | | | | |
|---|---|---|---|---|---|
| Albany Inv 20p | 102 | .... | Fin. 13% 97/02 | £111 | −¼ |
| Craig & Rose £1 | 950 | .... | Arnotts | 257 | .... |
| Finlay Pkg. 5p | 45 | .... | CPI Hldgs | 58 | .... |
| Holt (Jos) 25p | 720 | .... | Carrol Inds | 158 | +3 |
| I.o.M Stm. £1 | 57 | .... | Dublin Gas | 52 | .... |
| | | | Hall (R. & H.) | 62 | +1 |
| IRISH | | | Heiton Hldgs. | 24 | −2 |
| Fund 11¼% 1988 | £98¼ | | Irish Ropes | 55 | +2 |
| Nat. 9¾% 84/89 | £95⅝ | +¼ | Unidare | 120 | .... |

"Recent Issues" and "Rights" Page 38
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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

# LONDON STOCK EXCHANGE

## MARKET REPORT

**Account Dealing Dates**

| Option *First Dealings | Declarations | Last Dealings | Account Day |
|---|---|---|---|
| Jan 27 | Feb 6 | Feb 7 | Feb 17 |
| Feb 10 | Feb 20 | Feb 21 | Mar 3 |
| Feb 24 | Mar 6 | Mar 7 | Mar 17 |

* "New-time" dealings may take place from 9.30 am two business days earlier.

# Fresh wave of optimism boosts share and bond markets

A fresh way of investment enthusiasm swept London equities to record levels for the seventh time in the last nine trading sessions and pushed Government bonds higher for the third successive day. After recording a small fall on Monday, the FT-SE 100 share index bounded forward to close 16.6 up at 1,491.9, while the FT Ordinary share index registered its fifth advance in a row to end 13.6 better at 1,234.3; both levels were all-time closing peaks. The FT Government Securities index also performed well, rising 0.62 for a three-day gain of 1.55 to 83.62, its highest since early-December.

There was also no let up in takeover speculation—hard on the heels of Monday's multi-million pound bids for Imperial Group from Hanson Trust and United Biscuits came a near-£750m offer for Granada from Rank Organisation. Morgan Grenfell, on behalf of United Biscuits, purchased a further 46.4m shares of Imperial yesterday to bring its client's stake up to the maximum allowed at the moment of 14.9 per cent.

Investors appeared intent on celebrating the signing of the large Saudi Arabian oil-for-arms deal, the Prime Minister's determination to resist any challenge to her leadership and expectations of lower Japanese and US interest rates. Almost every sector encountered demand but the emphasis was on likely beneficiaries of the Saudi order for military aircraft. Among these were British Aerospace, GEC, Plessey, Lucas Industries, Racal Electronics, Dowty, Smiths Industries, Ferranti and many smaller concerns.

Activity was most pronounced in the first and final hour of official business. The 2.30 pm announcement of an unexpectedly favourable PSBR figure for January, which implied a possible undershoot in the authorities' targets for the fiscal year, caused a late burst of excitement. Leading stocks went higher across a broad front and with the temperature rising in the after-hours' trade the FT-SE index stopped just 8 points short of the 1,500-mark.

Gilt-edged securities opened confidently on the expectations of another cut in the Japanese Discount rate, which it is hoped will lead to a reduction in the Federal Reserve Discount rate. Widespread buying, again from both domestic and foreign sources, took all maturities up further awaiting the PSBR news. Immediately after the announcement, a flurry of activity forced prices even higher before profit-taking brought a calmer approach. All stocks came back, but only marginally, and the longs settled 1¼ up, after 1½. The shorts established rises stretching to ⅞, while index-linked issues gained ½ in places.

The major clearers went higher as investors started to look forward to the annual dividend season. Lloyds, the first to report on February 28, firmed 6 to 482p, while Barclays rose 9 to 472p and NatWest hardened 4 to 677p. Midland were additionally boosted by revived talk of a possible merger with Standard Chartered and gained 9 to 472p; SC moved up 10 to 460p. Elsewhere, a sudden burst of buying interest lifted Mercury Securities 40 to 790p and Akroyd and Smithers advanced 25 to 610p in sympathy. First National Finance found support at 164p, up 4, while Wagon Finance rose 8 to 144p.

Recently neglected Composite Insurances staged a revival. Commercial Union, a dull market on Monday following adverse comment, rallied 7 to 265p; the preliminary results are due early next month. Guardian Royal Exchange picked up 8 to 788p and General Accident improved the same amount to 758p.

Fresh demand was forthcoming for Wellcome which touched 175p prior to closing a net 8 up at 174p, a 54p premium over the offer-for-sale price of 120p.

Leading Buildings recorded useful gains. George Wimpey were outstanding and rose 13 to 161p on persistent demand, while Blue Circle continued to attract buyers on hopes of a cement price increase and gained 10 more to 583p. Good support was forthcoming for Redland, 10 higher at 397p, and BPB Industries 7 up at 396p. Taylor Woodrow firmed 7 to 525p, as did John Mowlem, to 360p. Costain were a couple of pence better at 482p and Alfred McAlpine 4 dearer at 334p. USM-quoted *Polypipe rose 20 to 260p in a* restricted market and Y. J. Lovell gained 8 to 334p in similar circumstances.

Yorkshire Chemicals gained 9 to 90p as takeover speculation revived, while Wardle Storeys firmed 4 to 244p on late demand. ICI drifted back to 852p before picking up to close 7 higher at the day's best of 861p.

### Stores buoyant

After a subdued start, leading Stores continued the previous day's late rally. Investors shrugged aside the disappointing January retail sales figures and the cautious tone of the latest CBI/FT survey of distributive trades. Instead they adopted a more optimistic view of international interest rate trends. Double-figure improvements proved to be commonplace with Burton 12 higher at 254p and Harris Queensway 10 to the good at 216p. Grea Universal put on ¾ to £13¼, while the more widely traded A shares, supported recently on enfranchisement prospects, advanced 57 to 897p. Mail-orders were in demand ahead of the forthcoming dividend season. Empire rose 6 to 152p, while Grattan, 370p, and Freemans, 360p, improved 12 and 16 respectively. Interest spread to the more speculative stocks with Dunhill up another 15 at 393p, and Martin Ford, again aided by "call" option activity, 3 to the good at a peak of 81p. USM-quoted Cecil Gee touched 128p before closing a net 10 higher at 125p; the preliminary figures are expected next month. Amber Day hardened a fraction more to 27p, after 27½ despite a statement from the company attempting to defuse recent speculation.

Secondary Electricals recorded several outstanding movements. AB Electronics came to life with a gain of 23 to 300p along with Emess Lighting, which rose 17 to 257p. Buying interest revived in Oxford Instruments, 10 to the good at 435p, and demand persisted for BSR, up 7 more to 100p. Goring Kerr advanced 25 to 460p.

Vickers responded to demand ahead of next Monday's preliminary statement and put on 13 to 358p. GKN continued to edge higher at 313p, up 6, but Hawker fluctuated narrowly before settling unaltered at 511p. Secondary Engineers passed a relatively quiet session. Among the noteworthy movements, F. S. Ratcliffe Industries rose 17 to 35p on speculative demand. Glynwed gained 6 to 288p while buying persisted for Ransomes Sims, up 10 more at 153p, ahead of next month's preliminary statement.

Cadbury Schweppes were the subject of American buying and firmed 4 to 175p, while Tate and Lyle moved up to 603p prior to closing a net 6 up at 598p. Tesco continued firmly among Food Retailers and put on 4 more to 312p, while Bejam revived and gained the same amount to 167p. Dee Corporation, however, shed 5 to 260p on lack of interest and ASDA-MFI softened a couple of pence to 144p. Elsewhere, Bassett encountered profit-taking in the absence of any bid developments and fell 10 to 165p, while Hazlewood Foods came back 25 to 800p.

Kennedy Brooks continued to respond to the good annual results and rose 14 to 248p. Grand Metropolitan were a steadier market and closed 5 better at 390p, while Ladbroke firmed 4 to 330p.

### BAe advance afresh

*Still responding to the signing of the £5bn defence deal with Saudi Arabia,* British Aerospace advanced afresh to close 15 higher at 503p. Other possible beneficiaries from the contract were well to the fore. Lucas advanced 30 to 578p, while Smiths Industries put on 14 to 261p and Dowty 15 to 189p. GEC, 208p, and Racal, 196p, rose 3 apiece, while Plessey improved 8 to 208p and Ferranti ended 6 dearer at 138p, after 144p. Hunting Associated rose 23 to 260p and BL Holdings 10 to 355p.

Granada featured a rise of 74 at 310p in response to news of the unwelcome bid from Rank Organisation; the latter ended 7 higher at 547p. Fisons came to life amid talk of a possible bid from Beecham and touched 502p before settling a little below the best at 498p for a gain of 18 on balance. Beecham fell to 353p at one stage, but rallied to finish 7 lower on the day at 361p. Speculative demand left European Ferries 8 to the good at 169p and Sharna Ware 22 higher at 72p, while the good interim results and proposed scrip issue prompted a rise of 17 to 465p in DPCE Holdings. Berisfords were good at 113p, up 14, while Bowater, still sustained by Hanson Trust bid hopes, improved 7 further to 315p. Manchester Ship Canal rose 50 to 580p following further purchases of Preference shares in the company by Highams. Speculative demand left Reed Executive 14 dearer at 217p. Blue Arrow moved up 10 more to 270p accompanied by talk of a possible acquisition. Other good spots included Bestwood, 15 higher at 425p, and Pentland, a similar amount dearer at 395p. Pritchard Services, in contrast, fell 6 to 89p on the ICC Oil Services developments. Among the leading miscellaneous industrials, reports of a broker's lunch with the company left Pilkington 13 to the good at 403p. Boots revived with a gain of 5 at 236p, while late support lifted Reed International 17 to 754p.

Campari were briskly traded in the wake of Mr A. Nordin's 49p per share bid for the company and touched 54p prior to closing a penny up at 53p. USM-quoted Sangers Photographic revived with a gain of 7 at 32p, but Miss World encountered profit-taking and closed 30 lower at 190p.

BL remained volatile and traded between extremes of 65p and 56p before settling 3 dearer on balance at 61p. Jaguar attracted revived support with US buyers again to the fore and, at 468p, recovered most of Monday's decline of 15. Among Components, expansion plans boosted Kwik-Fit which attained a 1985-86 high of 77p before settling 2 dearer on balance at 72p.

Secondary issues provided the noteworthy movements among Properties. Mountleigh rose 30 to 615p in reply to the excellent interim results and confident statement while London and Edinburgh moved up 25 to 555p following comment on its Claygate project. Buyers again favoured Haslam, 15 higher at 560p, and Regalian 5 dearer at 375p, but Mann & Co succumbed further profit-taking following comment on the results and closed 10 lower at 260p. Among the leaders, Land Securities edged up 4 to 320p, but Hammerson A slipped 10 to 470p.

Tobaccos attracted another substantial turnover. Imps, up sharply on Monday following the rival bids from United Biscuits and Hanson Trust, eased 6 to 314p reflecting profit-taking. Attention switched to Bats which advanced 18 to 368p, after 370p, amid sizeable traded option business and talk of a US chart breakthrough. Rothmans were also wanted and rose 5 to 165p, sentiment helped by improved first-half figures from its Malaysian subsidiary.

Financials remained firm. Mercantile House rose 8 to 308p, while MAI put on 10 more to 345p. Buyers also returned for stockjobbers Smith Bros, 11 up for a two-day advance of 15 to 184p. Kwahu hardened a couple of pence to 30p in response to the interim results.

### Oils easier

Slightly firmer North Sea oil prices failed to sustain the leading oils which generally drifted easier on persistent small selling. BP eased 2 to 543p ahead of the annual results expected tomorrow while Britoil gave up 5 to a 1985-86 low of 173p and LASMO 3 to a low of 145p. Secondary issues remained thoroughly depressed, especially Triton Europe which dropped 25 to 170p, and Industrial Scottish Energy, 5 lower at 65p. Pict Petroleum gave up a like amount to 90p, as did International Atlantis, 45p.

Another lively trade developed in Lonrho which advanced 7 for a two-day gain of 18 to 256p following considerable traded option business and mounting speculation of a consortium bid. Tozer Kemsley and Millbourn, also the subject of takeover rumours recently, rose 3 more to 96p.

### Quiet mines

*Interest in the gold sectors of* South African mining markets remained at a low ebb despite a late improvement in the bullion price. Bullion eased to around $332.5 during the morning but picked up in the afternoon to close a net $3.25 firmer on balance at $336.5.

Gold shares opened a shade easier, reflecting general lack of interest and the firmer trend in sterling against the dollar. Thereafter prices moved narrowly in either direction before edging higher in late trading to close with modest falls on balance. The Gold Mines index gave up 2.8 to 317.6.

South African Financials were similarly subdued but a good performance by free market platinum prices prompted steady support for platinums, especially Rustenburg which put on 23 to 675p following a Press suggestion to switch from Impala. The latter held around 650p in the wake of interim results announced late on Monday.

A handful of the Australian golds benefited from the late rise in bullion. Central Norseman were particularly favoured and moved up 15 to 328p while recently-depressed Poseidon rallied 7 to 120p. Among secondary issues Carr Boyd put on 4 to 71p. Leading diversified stocks were usually firmer, helped by the improvement in the Australian dollar against sterling. Western Mining and Bougainville added 4 apiece at 170p and 110p respectively while CRA edged up 2 to 276p. Sharply higher interim profits lifted Bond Corporation 7 to a 1985-86 high of 123p. MIM Holdings, on the other hand, slipped 2 more to 121p on further consideration of the *proposed A$200m rights* issue. Among the speculative issues Paragon Resources added 2 at 12p and Southern Goldfields rose 1½ to 12p.

## FINANCIAL TIMES STOCK INDICES

| | Feb. 18 | Feb. 17 | Feb. 14 | Feb. 13 | Feb. 12 | Feb. 11 | year ago |
|---|---|---|---|---|---|---|---|
| Government Secs | 83.62 | 83.00 | 82.65 | 82.07 | 82.20 | 82.16 | 79.75 |
| Fixed Interest | 88.66 | 88.08 | 87.75 | 87.68 | 87.56 | 87.40 | 83.70 |
| Ordinary ♥ | 1234.3 | 1220.7 | 1218.8 | 1218.8 | 1206.6 | 1191.4 | 977.5 |
| Gold Mines | 317.6 | 320.4 | 317.1 | 330.9 | 330.5 | 336.7 | 503.4 |
| Ord. Div. Yield | 4.23 | 4.26 | 4.26 | 4.27 | 4.32 | 4.35 | 4.40 |
| Earnings, Yld. % (full) | 10.31 | 10.35 | 10.34 | 10.32 | 10.48 | 10.60 | 11.00 |
| P/E Ratio (net) (*) | 12.21 | 12.06 | 12.07 | 12.09 | 11.92 | 11.74 | 10.93 |
| Total bargains (Est.) | 34,986 | 34,680 | 30,744 | 26,419 | 25,680 | 27,996 | 25,428 |
| Equity turnover £m. | — | 904.49 | 849.82 | 721.76 | 682.74 | 680.12 | 346.57 |
| Equity bargains | — | 29,689 | 29,185 | 30,720 | 29,419 | 26,805 | 21,044 |
| Shares traded (ml) | — | 410.9 | 396.4 | 336.0 | 319.1 | 286.6 | 165.5 |

♥ 10 am 1226.8. 11 am 1224.3. Noon 1226.5. 1 pm 1226.2. 2 pm 1227.3. 3 pm 1231.4. 4 pm 1232.6. Day's High 1234.3. Day's Low 1222.4. Basis 100 Government Securities 15/10/26. Fixed Interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest index 01-246 8026. *Nil=11.77.

### HIGHS AND LOWS / S.E. ACTIVITY

| | 1985/86 High | 1985/86 Low | Since Compilat'n High | Since Compilat'n Low | Indices | Feb. 17 | Feb. 14 |
|---|---|---|---|---|---|---|---|
| Govt. Secs. | 84.57 (18/10/85) | 78.02 (28/1/86) | 127.4 (9/1/35) | 49.18 (3/1/75) | Daily Gilt Edged Bargains | 158.5 | 136.4 |
| Fixed Int. | 90.98 (25/10/85) | 82.17 (28/1/85) | 150.4 (28/11/47) | 50.53 (3/1/75) | Equities Bargains / Value | 257.9 / 1,838.3 | 248.9 / 1,717.7 |
| Ordinary | 1234.3 (18/2/86) | 911.0 (25/7/85) | 1234.3 (18/2/86) | 49.4 (26/6/40) | 5-day average Gilt Edged Bargains | 151.6 | 126.0 |
| Gold Mines | 536.9 (15/4/85) | 217.6 (5/11/85) | 734.7 (15/2/83) | 43.5 (26/10/71) | Equities Bargains / Value | 215.6 / 1,327.6 | 203.7 / 1,439.3 |

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 108 | — | 1 |
| Corpns, Dom. and Foreign Bonds | 47 | — | 35 |
| Industrials | 410 | 209 | 900 |
| Fin. and Props. | 121 | 73 | 379 |
| Oils | 14 | 31 | 80 |
| Plantations | 3 | 2 | 13 |
| Mines | 28 | 40 | 115 |
| Others | 22 | 26 | 174 |
| Totals | 753 | 381 | 1,697 |

## RECENT ISSUES

### EQUITIES

[illegible]

### FIXED INTEREST STOCKS

[illegible]

### RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1986. u Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. u Forecast annualised dividend rate, cover based on previous year's earnings. ‡ Issued by tender. || Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. ¶¶ Reintroduced. ¶ Issued in connection with reorganisation, merger or take-over. || Allotment price. ¤ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ● Dealt in under Rule 535 (4) (a). †† Units comprising two ordinary, one preference and one warrant. † Units comprising one New ordinary and one 8.5 per cent Cnv.Red.Prf.

## NEW HIGHS AND LOWS FOR 1985/6

**NEW HIGHS (150)**

BRITISH FUNDS (4). BANKS (4). BREWERS (3). BUILDINGS (13). CHEMICALS (3). STORES (8). ELECTRICALS (6). ENGINEERING (7). FOODS (4). HOTELS (1). INDUSTRIALS (43). INSURANCE (1). LEISURE (3). MOTORS (2). NEWSPAPERS (1). PAPER (3). PROPERTY (3). TEXTILES (1). TRUSTS (30). OVERSEAS TRADERS (3). MINES (1).

**NEW LOWS (34)**

[illegible]

## TRADITIONAL OPTIONS

| First Deal-ings | Last Deal-ings | Last Declara-tion | For Settle-ment |
|---|---|---|---|
| Feb 3 | Feb 14 | May 8 | May 19 |
| Feb 17 | Feb 28 | May 29 | June 9 |
| Mar 17 | Apr 4 | June 26 | July 7 |

*For rate indications see end of Unit Trust Service*

Money was given for the call of Sunleigh Electronics, S. & W. Berisford, Sharna Ware, STC, Grovebell, Wellcome, Ransomes Sims and Jefferies, Brunswick, Gowan de Groot, Barrie Investments and Finance, Stakis, Cliff Oil, Five Oaks Investments, United Biscuits Warrants, Wold, Raine Industries, Martin Ford, Kwik-Fit, Prestwich, Hampton Gold Mining Areas, Apricot Computers, Cornwall, Sound Diffusion, Pavion International, Westland and Monument Oil and Gas. A put was taken out in Amstrad, but no doubles were reported.

# FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

## FIXED INTEREST

[illegible]

## YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

| Stock | Closing price | Day's change |
|---|---|---|
| Amber Day | [illegible] | [illegible] |
| BL | [illegible] | [illegible] |
| British Aerospace | [illegible] | [illegible] |
| Colorail | [illegible] | [illegible] |
| Euro Ferries | [illegible] | [illegible] |
| Fisons | [illegible] | [illegible] |
| GEC | [illegible] | [illegible] |
| Granada | [illegible] | [illegible] |
| Imperial Group | [illegible] | [illegible] |
| Kwik-Fit | [illegible] | [illegible] |
| Smiths Inds | [illegible] | [illegible] |
| Thorn EMI | [illegible] | [illegible] |

## MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

[illegible]

## EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 20,891

A=Ask B=Bid C=Call P=Put

## LONDON TRADED OPTIONS

[illegible]

# WORLD STOCK MARKETS

## TOKYO

Continued from Page 40

The Nikkei average dipped 11.68 points to 13,436.23. Volume swelled from Monday's 561m shares to a high for this year of 693m, surpassing the previous record of 691m registered on February 12. Losers outpaced gainers by 508 to 355, with 119 issues unchanged.

The market had risen for 12 of the 13 trading days since January 31, scoring a net gain of 499 points, while the previous day's stock average stood at 2.9 per cent above the five-week moving average. This is just under the danger level of 3 per cent, above which investors begin to worry about the market overheating.

Tokyo Gas again topped the list of 10 most active stocks with 69.22m shares traded, gaining Y10 to Y337. The company stands to benefit from the yen's rise against the US dollar and lower crude oil prices. It was cheaper than electric power issues, which rose slowly in thin trading. Tokyo Electric Power firmed only Y10 to Y2,900.

Private railway issues advanced across the board, accounting for six of the 20 most active stocks. Nishi-Nippon Railroad rose Y43 to Y451, Keisei Electric Railway added Y35 to Y430 and Tobu Railway Y4 to Y459.

Among speculative issues Iseki soared Y39 at one stage but closed only Y5 up at Y450 on a volume of 27.5m shares, the second busiest. Interest in the stock seemed to go beyond speculation about the company's hydroponic technology leading to factory farm goods production.

Toyo Tire and Rubber, which was favoured on rumours of cornering by speculators, fluctuated wildly to finish Y2 up at Y435. Tsubakimoto Chain also gained Y21 to Y438 and Nichias Y40 to Y376.

But Janome Sewing Machine, which had led the speculative market, eased Y30 to Y1,180 on fears that the authorities might tighten margin trading restrictions on the stock. Ebara also shed Y18 to Y532.

## CANADA

*INDUSTRIALS* posted gains in Toronto while mining and oil issues continued to fade.

Dome Petroleum, which lost 18 cents in the previous session, put on 5 cents to C$2.10 after announcing the sale of 10m shares in Dome Mines for C$147.4m.

Elsewhere, Genstar added C$⅛ to C$37½, *Alcan Aluminium C$⅜ to C$44⅛*, Magna International class A C$1 to C$22⅝ and National Bank of Canada C$⅜ to C$23½.

Utilities were the highlight of trade in Montreal while industrials tended lower.

## SOUTH AFRICA

THE EASIER TREND evident in Johannesburg on Monday was extended yesterday as trading remained thin.

Despite a late improvement in the world bullion price, Randfontein ended off R2.50 at R255, Kloof lost 25 cents to R22, Buffels shed R1.50 to R70.50 and Southvaal dropped R1 to R106.

Mining houses were steady to easier, with Anglo American 25 cents lower at R40 and Gencor off a similar amount at R36. In platinums Rustenburg gained 65 cents to R27.25, but Impala shed 40 cents to R26.10 despite news that the company sharply improved its first-half profit.

In mixed industrials Barlow Rand edged up 10 cents to R15.25, but Nedbank eased 20 cents to R7, extending sharp losses recorded on Monday.

## AUSTRALIA

LOCAL NEWS dominated Sydney yesterday, and activity in BHP led the market initially higher and then easier late in the session.

Reaction to the revised bid by Bell Resources for Australia's largest company pushed BHP up to A$7.14 before it settled back to close 2 cents lower at A$7.00 ex-scrip.

Most sectors were mixed, with some gains recorded among golds and other miners. MIM, however, shed 8 cents to A$2.47 on news of a planned one-for-five rights issue.

Elders added 2 cents to A$3.32 ahead of its interim profits announcement. After the market closed, Elders announced it would buy part of the UK subsidiary of the Canadian miner, Noranda.

## SINGAPORE

BARGAINS were snapped up in Singapore yesterday after a series of lower sessions.

*Singapore Airlines, which again led* the actives, put on 15 cents to S$6.40 while Genting recovered from its previous session's losses to end 2 cents higher at S$4.02.

Sealion Hotel, which owns the Hyatt Regency in Singapore, added 7.5 cents to 51 cents, a 17 per cent rise. Another group owned by Datuk Yap Yong Seong, Duta Consolidated put on 8.5 cents to 42.5 cents.

## HONG KONG

THE EASIER trend which began late on Monday in Hong Kong spilled over into yesterday's trading, leaving most issues generally lower.

Profit-taking took 13 points off the Hang Seng index by mid-session, but the share price barometer recovered slightly to finish down 11.67 at 1,771.41.

Property issue Cheung Kong, which put on 30 cents in the previous session, *lost 20 cents to HK$20.80.*

## CANADA

### TORONTO

*Prices at 2.30pm February 18*

## OVER-THE-COUNTER

*Nasdaq national market, 2.30pm prices*

Continued from Page 39

## LONDON

### Chief price changes

(in pence unless otherwise indicated)

| RISES | | |
|---|---|---|
| Tr 11¾% 1991 | £102⁹⁄₁₆ | + ¾ |
| Tr 14½% 1994 | £118⅞ | + 1⅛ |
| Tr 2½% I. L. '20 | £89¼ | + ½ |
| BAT Ind | 368 | + 18 |
| BAe | 503 | + 15 |
| Dowty | 189 | + 15 |
| Fisons | 498 | + 18 |
| Freemans | 360 | + 16 |
| GEC | 208 | + 10 |
| Granada | 310 | + 74 |
| GUS A | 897 | + 57 |
| Hunting Ass | 260 | + 23 |
| Kennedy Brookes | 248 | + 14 |
| Lucas Ind | 578 | + 30 |
| Manch'r Ship Canal | 580 | + 50 |
| Mer. Securities | 790 | + 40 |
| *Pilkington Bros* | *403* | *+ 13* |
| Plessey | 208 | + 8 |
| Racal Elec | 198 | + 10 |
| Reed Int | 754 | + 17 |
| Sharna Ware | 72 | + 22 |
| Smith Bros | 182 | + 9 |
| Smith Ind | 261 | + 14 |
| Vickers | 358 | + 13 |
| Wellcome | 174 | + 8 |
| Wimpey (G) | 161 | + 13 |
| Yorkshire Chems | 90 | + 9 |
| **FALLS** | | |
| Beecham | 361 | − 7 |
| Ind Scot Energy | 65 | − 5 |
| Triton Europe | 170 | − 25 |

## Indices

### NEW YORK

** Saturday February 15: Japan Nikkei 13,404.3. TSE 1070.43.

Base value of all indices is 100, except: Brussels SE—1,000; JSE Gold—255.7, JSE Industrial 264.3; Australia All Ordinary and Metals—500; NYSE Composite—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed u Unavailable.

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

*Prices at 3pm, February 18*

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 18⅝ | 10⅝ | AAR s | | | 18 | 308 | u19½ | 18⅝ | 19 | +⅛ |
| 24⅝ | 10¼ | AGS | | | 19 | 197 | u24¾ | 23⅞ | 23¾ | +½ |
| 14 | 9⅞ | AMCA | | | | 2 | 11⅞ | 11⅞ | 11⅞ | −⅛ |
| 52⅛ | 37½ | AMR | | | 9 | 2654 | u52⅞ | 51¼ | 52⅞ | +⅞ |
| 24¾ | 18⅝ | AMR pf | 2.18 | 8.9 | | 8 | 24⅝ | 24⅝ | 24⅝ | |
| 25⅝ | 23¼ | ANR pf | 2.67 | 11. | | 7 | 24⅛ | 24⅛ | 24⅛ | |
| 22 | 19 | ANR pf | 2.12 | 10. | | 1 | 20¼ | 20¼ | 20¼ | −⅛ |
| 12½ | 7⅝ | APL | | | 6 | 51 | 12¼ | 12¼ | 12¼ | |
| 16¾ | 10⅜ | ARX | | | 13 | 196 | 14⅝ | 14 | 14¾ | |
| 55⅝ | 32¼ | ASA | 2a | 5.3 | | 180 | 38⅛ | 37½ | 37⅝ | −⅞ |
| 25¼ | 10½ | AVX | | 2.0 | | 1288 | 16⅛ | 16 | 16 | |
| 28⅛ | 20⅝ | AZP | 2.72 | 10. | 7 | 1213 | 27¼ | 26¾ | 27⅛ | +⅜ |
| 72 | 46¾ | AbtLab | 1.40 | 2.1 | 17 | 3106 | 67¾ | 66½ | 67¾ | +1⅛ |
| 30⅛ | 19⅝ | AccoWd | .50 | 1.7 | 21 | 59 | 29⅜ | 29¼ | 29⅜ | |
| 24¾ | 10 | AcmeC | .40 | 3.2 | 18 | 277 | 12¾ | 12⅝ | 12⅝ | |
| 10⅛ | 7 | AcmeE | .32b | 3.6 | 16 | 21 | 8⅞ | 8¾ | 8⅞ | +⅛ |
| 19¾ | 16⅛ | AdaEx | 1.90e | 10. | | 121 | 18⅜ | 18⅛ | 18¼ | +⅛ |
| 23 | 14 | AdmMl | .40 | 1.6 | 11 | 263 | u24⅝ | 23 | 24⅝ | +1⅜ |
| 18⅞ | 8¾ | AdvSys | 1.36t | 7.2 | 17 | 351 | 18⅞ | 18⅜ | 18⅞ | +⅛ |
| 34 | 22⅛ | AMD | | | | 4404 | 32 | 30¾ | 32 | +1¼ |
| 12⅞ | 10⅛ | Adobe n | | | | 60 | 10⅛ | 10⅛ | 10⅛ | |
| 18⅜ | 14⅝ | Adob pf | 1.84 | 11 | | 21 | 16⅛ | 16⅛ | 16⅛ | +⅛ |
| 18½ | 15¼ | Adob pf | 2.40 | 13. | | 61 | 18½ | 18 | 18¼ | +¼ |
| 16½ | 8⅛ | Advest | .12a | .7 | 15 | 303 | u16⅜ | 16⅜ | 16⅜ | +⅛ |
| 59⅝ | 39⅛ | AetnLf | 2.64 | 4.4 | 19 | 3493 | u59⅝ | 59⅛ | 59½ | +½ |
| 65⅞ | 27¼ | Ahmns | 1.20 | 1.8 | 8 | 1388 | u67 | 65⅛ | 65¾ | +1¼ |
| 4⅜ | 2½ | Aileen | | | 194 | 49 | 3⅞ | 3¾ | 3⅞ | +⅛ |
| 75 | 46⅞ | AirPrd | 1.48 | 2.0 | 15 | 952 | u75¼ | 74 | 75 | +⅞ |
| 24⅜ | 17½ | AirbFrt | .60 | 2.9 | 15 | 295 | 21⅛ | 20⅜ | 21 | +¾ |
| 2⅞ | 7-16 | AlMoan | .50e | | | 3292 | ½ | 7-16 | 15-32 | −1-32 |
| 29¼ | 25 | AlaP pf | 2.52e | 9.0 | | 300 | 28⅛ | 28 | 28⅛ | +⅛ |
| 9¼ | 7 | AlaP dpf | .87 | 9.4 | | 118 | 9¼ | 9⅛ | 9¼ | +⅛ |
| 93 | 69 | AlaP pf | 9 | 9.6 | | z1120 | u94 | 94 | 94 | +1 |
| 107 | 96⅞ | AlaP pf | 11 | 10. | | z90 | 106½ | 105¾ | 105¾ | |
| 101¼ | 73½ | AlaP pf | 9.44 | 9.4 | | z410 | 100 | 99 | 100 | +1 |
| 82 | 65 | AlaP pf | 8.28 | 10 | | z400 | 81¼ | 81 | 81 | −1 |
| 26⅜ | 15¼ | AlskAir | .16 | .9 | 7 | 755 | 18⅝ | 18⅜ | 18⅜ | −¼ |
| 40 | 12½ | Alberto | .42 | 1.1 | 27 | 41 | 39¾ | 38¼ | 39½ | +¾ |
| 33¼ | 26⅞ | Albtsns | .76 | 2.3 | 13 | 246 | 32⅞ | 32⅛ | 32¾ | +⅜ |
| 32½ | 22¾ | Alcan | .80 | 2.5 | | 3728 | 31⅞ | 31¼ | 31⅞ | +½ |
| 39 | 31½ | AlcoStd | 1.24 | 3.3 | 17 | 582 | 37⅞ | 37½ | 37½ | −¼ |
| 36⅝ | 26 | AlexAlx | 1 | 2.7 | | 1995 | u37 | 35⅞ | 36⅞ | +⅞ |
| 43 | 21⅝ | Alexdr | | | 46 | 27 | 39⅞ | 39⅜ | 39⅜ | −½ |
| 91½ | 75 | AllgCp | 1.54t | 1.7 | 23 | 54 | u91¾ | 91⅛ | 91¾ | +⅞ |
| 27½ | 24½ | AlgCp pf | 2.86 | 10. | | 5 | 27½ | 27¼ | 27½ | +¼ |
| 28¾ | 16½ | AlgInt | 1.40 | 7.5 | | 477 | 18¾ | 18⅛ | 18¾ | +¾ |
| 20¾ | 15⅛ | AlgInt pf | 2.19 | 12 | | 14 | 18¾ | 18⅝ | 18¾ | +⅜ |
| 98 | 78 | Algl pfC | 11.25 | 13. | | 31 | 89 | 88 | 88 | −1½ |
| 36½ | 28⅛ | AllgPw | 2.70 | 7.4 | 10 | 468 | 36½ | 36 | 36¼ | +¼ |
| 24 | 14⅜ | AllenGs | | | 16 | 222 | u24¾ | 24⅛ | 24⅝ | +¾ |
| 30 | 18½ | AlldPd | | | 13 | 39 | 29 | 28⅛ | 29 | +⅝ |
| 49¾ | 42 | AldSgnn | 1.80 | 3.6 | | 5314 | u50⅝ | 49⅝ | 50¼ | +⅝ |
| 63¼ | 58¾ | AldS pfC | 6.74 | 11. | | 160 | u63½ | 62⅝ | 62¾ | |
| 111 | 103½ | AldS pfD | 12 | 11. | | 7 | 108 | 107½ | 108 | |
| 74¼ | 50¼ | AlldStr | 2.32 | 3.2 | 9 | 381 | 73⅜ | 72⅝ | 73¼ | +⅜ |
| 8⅝ | 3⅛ | AllisCh | | | | 200 | 4¼ | 4⅛ | 4⅛ | −⅛ |
| 35¼ | 26¾ | AllisC pf | | | | 5 | 33¾ | 33½ | 33½ | −½ |
| 32⅜ | 25½ | ALLTL | 1.96 | 6.3 | 9 | x58 | 31¼ | 30⅞ | 31⅛ | −⅛ |
| 45⅝ | 29¾ | Alcoa | 1.20 | 2.7 | | 2447 | 45 | 44½ | 44¾ | +¼ |
| 19 | 10½ | Amax | | | | 954 | 12⅞ | 12¾ | 12¾ | |
| 36 | 27½ | Amax pf | 3 | 9.2 | | 4 | 32½ | 32½ | 32½ | −½ |
| 34 | 22⅝ | AmHes | 1.10 | 4.8 | | 5039 | 23⅜ | 22¾ | 23⅛ | −⅛ |
| 140½ | 98½ | AHes pf | 3.50 | 3.5 | | 2 | 99¾ | 99¾ | 99¾ | −¼ |
| 2⅞ | 1⅛ | AmAgr | | | | 1057 | 1¼ | 1⅛ | 1¼ | |
| 27¾ | 16¾ | ABakr | | | 10 | 104 | 26⅞ | 26½ | 26¾ | −⅛ |
| 74⅞ | 53¼ | ABrand | 4.05 | 5.5 | 10 | 815 | 74¼ | 73¼ | 73⅝ | −⅜ |
| 32⅜ | 25¾ | ABrd pf | 2.75 | 8.7 | | 8 | 31½ | 31¼ | 31½ | +¼ |
| 75¼ | 54⅞ | ABrd pf | 2.67 | 3.6 | | 4 | 74¼ | 74¼ | 74¼ | +¼ |
| 30⅛ | 20⅞ | ABldM | .86 | 3.9 | 18 | 25 | 22¾ | 22¼ | 22¼ | −⅜ |
| 35¾ | 23⅛ | ABusPr | .76 | 2.3 | 17 | 27 | 33¼ | 33 | 33 | −¼ |
| 78¾ | 49¼ | AmCan | 2.90 | 3.8 | 15 | 181 | 77½ | 76½ | 77¼ | −⅜ |
| 68¾ | 44 | ACan pf | 3 | 4.4 | | 2 | 68 | 68 | 68 | |
| 118 | 108⅝ | ACan pf | 13.75 | 12. | | 3 | 115½ | 115½ | 115½ | |
| 22⅜ | 18 | ACapBd | 2.20 | 9.9 | | 58 | 22⅜ | 22⅛ | 22⅛ | −¼ |
| 30⅞ | 25¾ | ACapCv | 2.51e | 8.6 | | 24 | 29½ | 29¼ | 29¼ | −⅛ |
| 10 | 4⅝ | ACentC | | | | 20 | 5½ | 5½ | 5½ | |
| 63⅝ | 48 | ACyan | 1.90 | 3.0 | 24 | 1119 | u64½ | 62⅞ | 63¾ | +1 |
| 28¾ | 21¾ | ADT | .92 | 3.8 | | 116 | 24⅝ | 24⅛ | 24⅜ | −⅛ |
| 25¼ | 19⅞ | AElPw | 2.26 | 8.9 | 10 | 4017 | 25⅝ | 25⅛ | 25½ | +¼ |
| 62¼ | 40¼ | AmExp | 1.36 | 2.2 | 18 | 5649 | u63 | 61⅝ | 62¼ | +½ |
| 37¾ | 16¾ | AFamls | .48 | 1.3 | 20 | 902 | 36⅜ | 36⅛ | 36⅜ | +½ |
| 27⅝ | 12½ | AFam wi | | | | 31 | u27¼ | 27½ | 27¼ | +⅜ |
| 40¼ | 27¼ | AGnCp | 1.12 | 2.7 | 12 | 3136 | u41¼ | 40⅜ | 40⅞ | +¾ |
| 20¾ | 10¼ | AGnl wt | | | | 639 | u21 | 20 | 20⅞ | +⅝ |
| 56¼ | 53 | AGnl pfA | 5.42e | 9.9 | | 50 | 54⅞ | 54⅞ | 54⅞ | −⅜ |
| 80½ | 55 | AGn pfD | 2.64 | 3.2 | | 314 | u82 | 80½ | 81¼ | +¾ |
| 44⅛ | 30 | AHerit | 1.20 | 3.1 | 15 | 3 | 39¼ | 39¼ | 39¼ | −¼ |
| 13⅜ | 8¼ | AHoist | | | | 130 | 10 | 9½ | 9⅞ | +¼ |
| 23 | 20½ | AHoist pf | 1.95 | 8.9 | | 26 | 22 | 21¾ | 22 | +¼ |
| 71 | 54¾ | AHome | 3.10 | 4.3 | 15 | 1852 | u71¾ | 71⅛ | 71½ | +⅝ |
| 124¾ | 68⅜ | AlnGrp | .44 | .4 | 27 | 717 | u125⅜ | 121½ | 124½ | +1½ |
| 200 | 120 | AIGp pf | 5.85 | 2.9 | | 48 | u204 | 199 | 203½ | +7½ |
| 26⅝ | 16 | AMI | .72 | 3.4 | 12 | 2424 | 21¾ | 21 | 21¼ | −⅜ |
| 4 | 2¼ | AmMot | | | | 823 | 2⅞ | 2¾ | 2⅞ | |
| 28 | 13⅞ | APresds | .50 | 2.9 | 9 | 212 | 17¼ | 16⅞ | 17 | |
| 13⅜ | 5 | ASLFla | | | | 681 | 12¾ | 11⅜ | 12⅝ | +1¼ |
| 19⅜ | 12¼ | ASLFl pf | 2.19 | 11. | | 73 | 19⅜ | 19¼ | 19¼ | |
| 15⅝ | 10¾ | AShip | .80 | 7.2 | 9 | 56 | 11⅜ | 11⅛ | 11⅛ | |
| 40½ | 26¾ | AmStd | 1.60 | 3.9 | 74 | 1127 | u41¼ | 39⅞ | 41¼ | +1⅜ |
| 68¼ | 48⅝ | AmStor | .84 | 1.3 | 12 | 648 | 65¼ | 64 | 65 | +1¼ |
| 78 | 59½ | AStr pfA | 4.38 | 5.8 | | 273 | 75 | 74¾ | 75 | +½ |
| 60 | 53 | AStr pfB | 6.80 | 12 | | 6 | 59 | 59 | 59 | +¼ |
| 25⅜ | 19⅞ | AT&T | 1.20 | 5.5 | 16 | 17736 | 21⅞ | 21⅜ | 21⅞ | +⅝ |
| 45 | 34⅞ | AT&T pf | 3.64 | 7.9 | | 443 | u45⅞ | 45¼ | 45⅞ | +⅞ |
| 45⅞ | 36 | AT&T pf | 3.74 | 8.0 | | 16 | u46½ | 45¼ | 46½ | +⅞ |
| 33 | 21¾ | AmWtr | 1.12 | 3.8 | 10 | 207 | 29½ | 29 | 29⅜ | −¼ |
| 14 | 11 | AWat pf | 1.25 | 9.3 | | z100 | 13½ | 13½ | 13½ | −½ |
| 28½ | 9⅝ | AmHotl | 2.20 | 19. | 5 | 515 | 11⅞ | 11⅜ | 11¾ | +⅝ |
| 74 | 68 | ATr pr | 5.64 | 7.9 | | 34 | 71¾ | 71¾ | 71¾ | −⅜ |
| 23⅜ | 10 | ATr sc | | | | 26 | 22¼ | 21⅝ | 22¼ | +¾ |
| 96 | 76¼ | ATr un | 5.64 | 6.0 | | 4 | 94 | 94 | 94 | +1 |
| 52⅝ | 30½ | Ameron | 1.60 | 3.2 | 9 | 20 | 49¾ | 49¾ | 49¾ | +½ |
| 27¼ | 16⅜ | AmesDs | .10 | .4 | 25 | 966 | 27⅛ | 26 | 27⅛ | +⅞ |
| 28⅞ | 19⅞ | Ametek | 1 | 3.5 | 18 | 178 | 28⅞ | 28½ | 28⅝ | +⅛ |
| 11⅝ | 9¼ | AmevSd | .08 | 9.6 | | 78 | 11¼ | 10⅞ | 11¼ | +⅛ |
| 25⅜ | 22 | Amfac | | | 279 | 88 | 25⅜ | 24⅞ | 25⅛ | +⅛ |
| 12⅜ | 13-16 | vjAmfsc | | | | 174 | 1⅜ | 1¼ | 1⅜ | |
| 70¼ | 53⅛ | Amoco | 3.30b | 5.8 | 8 | 3077 | 58 | 57¼ | 57¼ | −1 |
| 41½ | 27½ | AMP | .72 | 1.7 | 42 | 2495 | u42⅜ | 41⅜ | 42¼ | +¾ |
| 17¾ | 11½ | Ampco | .30 | 1.9 | 19 | 25 | 15¾ | 15½ | 15⅝ | |
| 25¾ | 12⅝ | Amreps | | | 13 | 128 | u26 | 25⅜ | 25¾ | +¼ |
| 29⅞ | 17¼ | AmSth s | | | 11 | 101 | 29⅛ | 28¼ | 29⅛ | |
| 46⅜ | 34⅜ | Amsted | 1.60 | 3.5 | 19 | 3706 | 46 | 45½ | 45½ | |
| 4¼ | 2⅜ | Anacmp | | | | 891 | 3¾ | 3⅜ | 3¾ | +⅛ |
| 30⅛ | 18 | Anlog | | | 35 | 165 | u30⅞ | 29¾ | 30¾ | +⅞ |
| 27⅜ | 20⅝ | Anchor | 1.48 | 5.9 | 109 | 187 | 25⅛ | 24⅞ | 25⅛ | +⅞ |
| 61¼ | 35⅝ | AnClay | 1.32 | 2.4 | 32 | 470 | 56 | 55½ | 55½ | −⅛ |
| 18⅛ | 10⅝ | AndrGr | .24b | 1.7 | 15 | 171 | 14¼ | 14 | 14⅛ | +⅛ |
| 29⅝ | 18½ | Angelic | .60 | 2.1 | 15 | 82 | 28⅞ | 28⅝ | 28⅝ | −⅛ |
| 45¾ | 24¼ | Anheus | .80 | 1.9 | 15 | 4073 | 43 | 42½ | 42⅞ | +⅛ |
| 86⅜ | 54½ | Anheu pf | 3.60 | 4.3 | | 7 | 84¼ | 83½ | 83½ | −½ |
| 22⅞ | 13½ | Anixtr | .28 | 1.3 | 21 | 566 | 21¾ | 21¼ | 21⅝ | +¼ |
| 19 | 10¼ | Anthem | .04 | .2 | 43 | 87 | 19 | 18¾ | 19 | |
| 15¾ | 11 | Anthny | .44b | 2.8 | 9 | 15 | 15⅝ | 15¼ | 15⅝ | +¼ |
| 13⅜ | 9 | Apache | .28 | 3.1 | 9 | 173 | 9⅜ | 9 | 9⅛ | −¼ |
| 2 | ¼ | ApchP wt | | | | 948 | ¼ | d11-64 | 13-64 | −3-64 |
| 19⅞ | 14 | ApchP un | 2.10 | 15. | | 856 | 14½ | 14⅛ | 14⅛ | −⅛ |
| 27⅛ | 24¼ | ApPw pf | 2.65 | 9.9 | | 2 | 26⅞ | 26⅞ | 26⅞ | −¼ |
| 34⅜ | 31 | ApPw pf | 4.18 | 13. | | 5 | 33⅛ | 33 | 33 | −⅜ |
| 32 | 28½ | ApPw pf | 3.80 | 12. | | 7 | 31 | 31 | 31 | +1½ |
| 17⅝ | 11¾ | ApplMg | | | 28 | 80 | 17 | 16⅞ | 17 | +⅛ |
| 28⅝ | 19¼ | ArchDn | .14b | .5 | 14 | 2646 | 27⅞ | 27½ | 27⅞ | +⅛ |
| 31½ | 27 | ArlP pf | 3.58 | 12. | | 19 | 30⅜ | 30⅜ | 30⅜ | |
| 38½ | 18 | ArkBst | .60 | 1.6 | 13 | 132 | 38 | 37⅜ | 37⅜ | −¼ |
| 24¼ | 16⅛ | Arkla | 1.08 | 6.6 | 18 | x3880 | 16⅞ | 16¼ | 16⅜ | −¼ |
| 15-16 | 1-16 | ArlnCp | | | | 115 | 13-32 | ⅜ | ⅜ | −1-16 |
| 15⅝ | 11¼ | Armada | | | | 10 | 11¾ | 11½ | 11¾ | +½ |
| 11⅝ | 6¾ | Armco | | | | 1575 | 10⅞ | 10½ | 10¾ | +¼ |
| 22¾ | 15½ | Armc pf | 2.10 | 9.2 | | 27 | 22¾ | 22¼ | 22¾ | |
| 24⅛ | 13½ | ArmsRb | .48 | 2.8 | 19 | 131 | 17 | 16½ | 17 | +¼ |
| 47⅜ | 30⅜ | ArmWIn | 1.30 | 2.7 | 11 | 793 | 47½ | 46¾ | 47⅜ | +⅜ |
| 18 | 11¼ | ArowE | .20 | 1.2 | | 81 | 16¼ | 16⅛ | 16¼ | +⅛ |
| 30¼ | 19½ | Artra | .22 | 1.0 | 38 | 105 | 22½ | 21⅜ | 22½ | +1⅛ |
| 25¾ | 14¼ | Arvin s | .64 | 2.5 | 11 | 418 | 25¾ | 25¼ | 25⅜ | +⅛ |
| 81 | 45½ | Arvin pf | 2 | 2.5 | | 1 | 80¾ | 80¾ | 80¾ | +¼ |
| 27¾ | 15¾ | Asarco | | | | 427 | 21¼ | 20¼ | 20⅞ | +½ |
| 43¼ | 28½ | AshlOil | 1.60 | 3.8 | 9 | 995 | 42⅛ | 41⅜ | 41¾ | −½ |
| 43¾ | 38⅛ | AshlO pf | 3.96 | 9.3 | | 187 | 42⅞ | 42⅜ | 42⅜ | −⅛ |
| 43½ | 27⅜ | AsdDGs | 1.40 | 3.4 | 14 | 1017 | 41¾ | 41 | 41½ | −¼ |
| 136½ | 90 | AsdD pf | 4.75 | 3.6 | | 21 | 133¼ | 132 | 133¼ | +8¼ |
| 23½ | 16⅜ | Athlone | 1.60 | 9.0 | | 5 | 17¾ | 17⅝ | 17¾ | −⅛ |
| 33⅛ | 23¾ | AtCyEl | 2.58 | 7.8 | 11 | 145 | 33 | 32⅞ | 32⅞ | −¼ |
| 67⅞ | 45⅜ | AtlRich | 4 | 7.6 | | 3702 | 52⅞ | 52⅜ | 52¼ | |
| 455 | 325 | AtlRc pf | 3 | .8 | | 2 | 357 | 357 | 357 | |
| 162 | 109 | AtlRc pf | 2.80 | 2.2 | | 6 | 126 | 125 | 125½ | |

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# NYSE COMPOSITE PRICES

Continued from Page 38

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 26½ | 16¼ | WAir pf | 2 | 7.7 | | 3 | 26⅛ | 26 | 26 | |
| 8⅛ | 1⅛ | WCNA | | | | 268 | 1⅜ | 1⅛ | 1¼ | |
| 50½ | 9⅛ | WCNA pf1.81j | | | | 64 | 9½ | 9⅜ | 9⅜ | |
| 138¾ | 107 | WPacI | | | 12 | 7 | 134 | 134 | 134 | +½ |
| 18½ | 8⅝ | WstSL s .20 | | 1.1 | 7 | 70 | 17¾ | 17⅜ | 17¾ | +⅜ |
| 15½ | 7⅞ | WUnion | | | | 1480 | 10⅛ | 9⅞ | 9⅞ | −⅛ |
| 7¾ | 3⅝ | WnU pfS | | | | 243 | 6½ | 6¼ | 6½ | +¼ |
| 14¼ | 6 | WnU pfE | | | | 187 | 10⅞ | 10⅜ | 10½ | −⅜ |
| 15⅛ | 6⅛ | WUTI pfA | | | | 14 | 14⅛ | 14⅛ | 14⅛ | −⅛ |
| 48 | 25 | WelgE | 1 20 | 2.5 | 14 | 5911 | u48⅛ | 47 | 48 | +1⅛ |
| 51½ | 34⅞ | Westvc1.32 | | 2.6 | 14 | 527 | 51½ | 50⅝ | 51½ | +⅛ |
| 36⅛ | 24¾ | Weyerhr 30 | | 3.7 | 27 | 2981 | 35 | 34⅝ | 35 | +⅜ |
| 47 | 37⅞ | Weyr pf2.80 | | 6.1 | | 104 | 46½ | 46⅛ | 46⅛ | |
| 54 | 46¾ | Weyr pr4 50 | | 8.5 | | 67 | 52⅞ | 51⅞ | 52⅞ | +⅞ |
| 91 | 75 | WhelLE5.75 | | 7 2 | | z310 | 80 | 80 | 80 | |
| 17⅛ | 6⅝ | vjWhPit | | | | 25 | 8¼ | 8⅛ | 8⅛ | −⅛ |
| 31⅝ | 10½ | vjWhPIpl | | | | z50 | 16¼ | 16¼ | 16¼ | −¾ |
| 59⅛ | 40½ | Whirlpl | 2 | 3.4 | 12 | 679 | u59¼ | 58 | 59 | |
| 36⅝ | 25½ | WhitC | 1.50 | 4.2 | | 245 | 35⅝ | 34½ | 35⅝ | +¾ |
| 34⅞ | 19⅝ | Whitehl | | | 13 | 186 | 33⅞ | 33⅜ | 33⅝ | +⅛ |
| 26½ | 17¼ | Whittak 60 | | 2.9 | 15 | 315 | 20⅝ | 20¼ | 20⅝ | +⅜ |
| 15⅛ | 8 | Wilfred .12 | | .9 | 14 | 351 | 12⅞ | 12⅝ | 12⅞ | +¼ |
| 16½ | 7⅞ | WillcxG 10 | | .6 | 7 | 130 | u16¾ | 16¼ | 16¾ | +¼ |
| 33½ | 21¾ | Williaml 40 | | 5.9 | 26 | 493 | 24⅛ | 23¾ | 23⅞ | −⅛ |
| 8½ | 3 | WilmEl | | | | 749 | 8¼ | 7⅞ | 8⅛ | +¼ |
| 7⅝ | 4 | WilshrO10b | | 2.4 | 13 | 40 | 4⅜ | 4¼ | 4¼ | −⅛ |
| 38⅞ | 32⅛ | WinDlx1.74 | | 4.5 | 15 | 220 | 38½ | 38 | 38½ | +½ |
| 20 | 8½ | Winnbg .20 | | 1.3 | 29 | 1229 | 15¼ | 14⅞ | 15 | |
| 9⅝ | 5⅛ | Winner | | | | 110 | 6⅜ | 6¼ | 6¼ | −⅛ |
| 9½ | 4 | WnterJ | | | | 35 | 8 | 7¾ | 8 | +¼ |
| 43⅝ | 30¾ | WiscEP2.48 | | 5.7 | 10 | 256 | u44 | 43⅝ | 43⅞ | +⅜ |
| 98 | 75¾ | WisE pf8.90 | | 9 1 | | z220 | 98 | 97¼ | 98 | +½ |
| 84 | 66 | WisE pf7.75 | | 8.9 | | z1010 | u87 | 85½ | 87 | +3 |
| 26⅜ | 23¼ | WisG pf2.55 | | 9 8 | | 5 | 26⅛ | 26 | 26⅛ | +⅛ |
| 44¼ | 28⅛ | WiscPL2.84 | | 6.3 | 11 | 206 | u45¼ | 44⅝ | 45¼ | +1⅛ |
| 43⅝ | 29¾ | WiscPS2.86 | | 6.6 | 10 | 109 | u43¾ | 43¼ | 43½ | +⅛ |
| 49½ | 33 | Witco | 1 48 | 3.0 | 13 | 555 | u50½ | 48⅞ | 50 | +⅞ |
| 14 | 9¾ | WolvrW.24 | | 2.3 | | 396 | 10⅝ | 10⅜ | 10⅜ | −⅛ |
| 71⅛ | 38¼ | Wolwth | 2 | 2.9 | 14 | 914 | 70¼ | 68⅞ | 68⅝ | −⅞ |
| 100½ | 56 | Wolw pf2.20 | | 2.2 | | 3 | 98⅝ | 98⅝ | 98⅝ | −1⅞ |
| 5⅝ | 3 | WrldAr | | | | 159 | 4⅝ | 4⅜ | 4½ | −⅛ |
| 4½ | 2⅝ | Wurltzr | | | | 101 | 3½ | 3¼ | 3⅜ | |
| 17 | 10⅜ | WyleLb .32 | | 1.9 | 72 | 150 | 16⅞ | 16¼ | 16⅝ | +⅛ |
| 23⅜ | 15 | Wynns | .60 | 3.6 | | 57 | 16⅞ | 16¾ | 16¾ | |
| | | **X Y Z** | | | | | | | | |
| 67 | 42⅛ | Xerox | 3 | 4.4 | 15 | 2800 | u69 | 66⅞ | 68⅜ | +1½ |
| 56¾ | 49 | Xerox pf5.45 | | 9.7 | | 326 | 56⅜ | 56 | 56 | −¼ |
| 34¾ | 25 | ZaleCp 1.32 | | 3.7 | 14 | 1300 | u37 | 36⅛ | 36⅛ | +3⅝ |
| 26½ | 20½ | ZalepfA .80 | | 2.8 | | 1 | u28½ | 28½ | 28½ | +2¾ |
| 18⅝ | 3½ | Zapata .03j | | | 28 | 1628 | 3⅞ | 3½ | 3⅞ | +⅜ |
| 68⅛ | 40¼ | Zayre s | .48 | .7 | 20 | 926 | u66¾ | 64 | 66 | +1⅞ |
| 24¼ | 16¼ | ZenithE | | | | 10502 | 144 21¼ | 20½ | 21 | +⅝ |
| 23⅜ | 17¼ | Zero s | .36 | 1.8 | 18 | 83 | 22⅞ | 22¼ | 22⅞ | +⅜ |
| 42¾ | 26¾ | Zurnin 1.32 | | 3.1 | 15 | 75 | 42½ | 41½ | 42¼ | −¼ |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.



# AMEX COMPOSITE PRICES

*Prices at 3pm, February 18*

# OVER-THE-COUNTER

*Nasdaq national market, 2.30pm prices*

Continued on Page 37

# FINANCIAL TIMES
## WORLD STOCK MARKETS

WALL STREET

## Stimulated by a drop in oil price

A NEW SLUMP in petroleum futures on the New York Metal Exchange (Nymex) set the stage for another powerful session on Wall Street yesterday, *writes Terry Byland in New York.*

Bond market yields plumbed new six-year lows and the stock market quickly rallied from early falls to surge ahead to new peaks.

Renewed weakness in the dollar brought strong gains in IBM, Merck and other overseas earning stocks. Chemical issues responded vigorously to the steady slide in their oil feedstock prices while the oil majors resisted early selling pressures.

At 3pm the Dow Jones industrial average was up 14.11 at 1,678.56.

The surge in the financial markets came at mid-session when Nymex crude oil prices plunged through a series of support levels. Bonds, already firmer, quickly extended their gains to ¾ point. The advance was spurred on by a chorus of encouragement from market analysts ahead of today's delivery by Mr Paul Volcker, the Fed chief, of his annual review of monetary policy, as required under the Humphrey-Hawkins Act.

The slight easing in credit policy since mid-December, disclosed in the minutes of the FOMC meeting, revived forecasts of an early cut in federal discount rate, although short-term market rates edged higher yesterday.

"We're in the bond rally of a lifetime," commented Mr A. Gary Shilling, bond market and economic consultant. With inflation increasingly discounted in the US financial markets, the plunge in bond yields took the 30-year yield down to around 8.85 per cent.

The stock market suffered a bout of nervous selling in the first hour but soon responded to the surging bond prices. Attention focused on blue chips and there were pauses for profit-taking.

Among the interest-oriented stocks driven ahead by the bond market were Financial Corp of America, the thrift company, up $1⅞ at $14½ in heavy trading, and Federal National Mortgage Association (Fannie Mae), up $2⅛ at $32⅝.

Heavy turnover in IBM sent the stock up $2½ to $158¾, challenging its 52-week high. IBM announced a new venture into the educational market. Digital Equipment, recommended in the investment press, jumped $3⅞ to $161. Control Data, at $23¼ were $⅝ up, Honeywell gained $⅝ to $80 and Burroughs $⅞ to $70.

A strong feature among the leading manufacturing issues was Singer, which bounded $5⅜ to $45⅛ after announcing that it was finally quitting the sewing machine business.

Fuelling the surge in the Dow average was a gain of $3 to $147 by Merck, the pharmaceutical leader. Also strong were Bristol-Myers, $⅝ up at $65⅛, and Pfizer $⅝ higher at $52⅛.

In chemicals, Monsanto gained $1⅞ to $54½ and Dow $⅞ to $46. Exxon edged up $⅛ to $52, and other firm spots in oils included Chevron, up $⅛ at $35⅞, and Texaco, up $⅜ at $29⅛ in heavy turnover.

Consumer stocks strengthened on the expectation that domestic spending will be boosted by the lower prices for fuel oil and petrol. Sears gained $⅜ to $42⅞ and Federated Department Stores at $68⅛ added $1⅛.

The corporate news list was headed by Polaroid, gaining $1¼ to $55⅞ on sharply increased earnings. Rival camera manufacturer Eastman Kodak eased $⅛ to $52 after confirming details of the trading loss. Northrop, the aerospace group, shed $⅛ to $42⅛ and Dart & Kraft $⅛ at $43⅞, both after results.

The active stocks list of the NYSE was headed by Johnson & Johnson, up $⅞ at $48⅝, with 4m shares traded as Wall Street took a favourable view of the board's decision to withdraw many capsule products from the market.

Other active features were Zale, which gained $4⅞ to $36⅞ after Peoples Jewellers offered around $40 a share for the equity. Gulton Industries, the electronics group, added $1⅞ to $33⅞ after Mark IV increased its bid offer to $33 a share.

The optimism over interest rates pushed bank stocks ahead again, brushing aside doubts over their Latin American loans. Bankers Trust gained $1½ to $38⅞ and Citicorp $⅞ to $49⅞.

BankAmerica edged up $⅛ to $13⅞ despite renewed criticism by analysts of their earnings performance.

Bonds remained at the day's peaks for most of the session, supported by modest retail buying and support from the Wall Street trading houses. At the short-end of the market, rates remained firm despite federal funds at 7 15/16 per cent.

**London swept to record levels. Chief price changes, Page 37; Details, Page 36; Share information service, Pages 34–35**

EUROPE

## Encore for Milan and Brussels

A NOT-TOO-UNEXPECTED encore was given on the European bourses yesterday as the Italian and Belgian markets continued to bubble away with a steady flow of overseas funds surfacing again. West Germany, too, was a little predictable in its technical recovery.

The record run in Milan was extended, and despite late forays by profit-takers, most leading blue chips, which have been the core and sustenance of the current bull run, managed further gains.

Fiat was again one of the star performers. The transport group built on Monday's after-bourse trading to hit a fresh peak with a L301 rise to L8,280. The L10,000 level is now attainable if the market holds firm and if more foreign funds, temporarily reluctant to open new positions due to the well publicised settlement problems of the exchange, can be enticed to return in force.

The other top-line stocks to gain from the bloated domestic mutual fund purchases included leading insurer Generali, up L1,010 to another 12-month high of L88,000, a gain of L11,000 since the beginning of the year. Montedison found further support and finished the session with a L123 advance to L3,128, also a fresh high.

Olivetti succumbed to vertigo and slipped L101 to settle at L11,099. Toro, another insurer that has catapulted to fame and certainly fortune recently, retreated L100 to L34,500 compared with its 12-month trading low of L12,420.

A hapless Saipem lost more ground after Monday's L85 drop with a fresh L45 decline to L4,650.

Among active second-line issues, the preferred shares of Alitalia, the partly privatised airline, advanced L50 to L1,390 and Burgon, the paper group, rose L89 to L9,079.

The Banca Commerciale index peaked at 534.94, a rise of 6.41.

The first day of the new account in Brussels took prices to another high with attention focused on holding groups, utilities and a select band of industrials.

The Belgian Stock Exchange index took another confident 21.78 step higher to a record 3,118.24.

The effects of a lower oil price are beginning to seep into market confidence while prospects that the Government may cut the current 25 per cent withholding tax on dividends is now being taken seriously.

GBL, among the spotlighted holding company sector, was ahead BFr 60 to BFr 2,710 while Gevaert closed BFr 200 higher at BFr 5,640, both just below their trading highs for the year.

A vibrant utilities sector witnessed Intercom gain BFr 75 to a 12-month high of BFr 3,425 while Unerg rose BFr 35 to BFr 2,520.

Steels were actively higher with discreet, yet discernible, West German buying. Arbed jumped BFr 290 to BFr 3,310 with Cockerill picking up BFr 8 to BFr 175 in sympathy. Clabecq gained a respectable, if unexciting, BFr 12 to BFr 1,128.

Market leader Petrofina slowed the pace of its advance with a BFr 40 rise to BFr 6,650 while Solvay reversed part of the previous session's strong rise with a BFr 20 decline to BFr 7,100.

Vieille Montagne weakened BFr 50 to BFr 6,450 on unconfirmed reports that the non-ferrous metals group may be acquired by Société Générale de Belgique, which firmed BFr 20 to BFr 2,350.

**Frankfurt** bounced back with a 45.4 jump in the Commerzbank index, returning it virtually to Friday's level.

Export-sensitive and exchange rate vulnerable issues gained from the more stable dollar.

Daimler, becoming more like a bellwether issue every day, recovered DM 38 – identical to its Monday loss – to finish at DM 1,288 while VW, still much thought of by some leading European analysts, sprinted DM 20 ahead to DM 525.

Chemicals, unruffled on Monday, made new progress, with Bayer DM 11 dearer at DM 307, while BASF added DM 11.10 to DM 288. Schering made a more impressive DM 18 advance to DM 545. Ever volatile Munich Re dropped DM 250 to DM 3,150 while associate insurer Allianz gained DM 80 to DM 2,140.

In a higher active **Stockholm**, Ferments's fall from grace resulted in some grim figures: the B-free shares, available to foreign investors, plunged SKr 46 to SKr 201 while the B-restricted stock plummeted SKr 57 to SKr 189 – a 23 per cent drop.

Elsewhere, institutional buying buoyed Asea SKr 5 to SKr 340 and Pharmacia SKr 3 to SKr 180. Volvo slipped SKr 1 to SKr 315.

**Paris, Zurich and Amsterdam** finished mixed. **Madrid** turned lower.

TOKYO

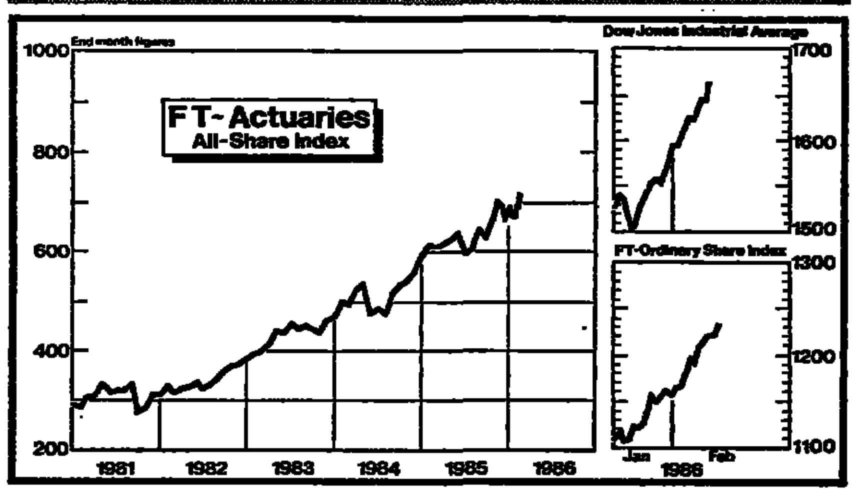
## Express move into railways

CONCERN raised its head in Tokyo yesterday after the strength of the market during the past fortnight, and share prices fell back slightly after three consecutive winning sessions, *writes Shigeo Nishiwaki of Jiji Press.*

Private railways attracted buyers after the Government decided to offer tax incentives for the improvement of rail networks. Meanwhile, speculative shares were traded enthusiastically.

**Continued on Page 37**

### KEY MARKET MONITORS




**STOCK MARKET INDICES**

| | | | |
|---|---|---|---|
| **NEW YORK** | Feb 18 | Previous | Year ago |
| DJ Industrials | 1,678.56* | 1,664.45 | 1,282.02 |
| DJ Transport | 782.64* | 772.91 | 629.21 |
| DJ Utilities | 182.40* | 180.70 | 150.85 |
| S&P Composite | 221.97* | 219.76 | 181.60 |
| **LONDON** | | | |
| FT Ord | 1,234.3 | 1,220.7 | 977.5 |
| FT-SE 100 | 1,491.9 | 1,475.3 | 1,268.7 |
| FT-A All-share | 725.49 | 717.97 | 613.60 |
| FT-A 500 | 798.20 | 788.89 | 671.63 |
| FT Gold mines | 317.6 | 320.4 | 503.4 |
| FT-A Long gilt | 10.23 | 10.30 | 10.78 |
| **TOKYO** | | | |
| Nikkei | 13,436.23 | 13,447.91 | 12,149.10 |
| Tokyo SE | 1,074.60 | 1,075.80 | 946.90 |
| **AUSTRALIA** | | | |
| All Ord. | 1,047.1 | 1,048.5 | 790.5 |
| Metals & Mins. | 500.8 | 500.1 | 460.1 |
| **AUSTRIA** | | | |
| Credit Aktien | 114.64 | 116.41 | 64.96 |
| **BELGIUM** | | | |
| Belgian SE | 3,118.24 | 3,096.48 | 2,162.76 |
| **CANADA** | | | |
| **Toronto** | | | |
| Metals & Minls | 2,148.7* | 2,120.3 | 2,147.0 |
| Composite | 2,773.0* | 2,754.0 | 2,608.2 |
| **Montreal** | | | |
| Portfolio | 135.08* | 133.75 | 130.90 |
| **DENMARK** | | | |
| SE | n/a | 229.79 | 175.29 |
| **FRANCE** | | | |
| CAC Gen | 296.3 | 297.0 | 200.9 |
| Ind. Tendance | 111.4 | 111.5 | 70.5 |
| **WEST GERMANY** | | | |
| FAZ-Aktien | 649.48 | 631.82 | 402.76 |
| Commerzbank | 1,955.2 | 1,909.8 | 1,170.0 |
| **HONG KONG** | | | |
| Hang Seng | 1,771.41 | 1,783.08 | 1,427.18 |
| **ITALY** | | | |
| Banca Comm. | 534.94 | 528.53 | 288.22 |
| **NETHERLANDS** | | | |
| ANP-CBS Gen | 252.2 | 252.6 | 201.3 |
| ANP-CBS Ind | 243.6 | 243.9 | 159.4 |
| **NORWAY** | | | |
| Oslo SE | 368.58 | 373.4 | 322.51 |
| **SINGAPORE** | | | |
| Straits Times | 621.44 | 617.94 | 810.90 |
| **SOUTH AFRICA** | | | |
| JSE Golds | – | 1,180.3 | 911.6 |
| JSE Industrials | – | 1,118.5 | 870.8 |
| **SPAIN** | | | |
| Madrid SE | 110.59 | 110.82 | 85.90 |
| **SWEDEN** | | | |
| J & P | 1,845.85 | 1,836.48 | 1,437.05 |
| **SWITZERLAND** | | | |
| Swiss Bank Ind | 567.8 | 569.3 | 415.9 |
| **WORLD** | Feb 17 | Prev | Year ago |
| MS Capital Int'l | 272.5 | 271.2 | 197.3 |

**COMMODITIES**

| (London) | Feb 18 | Prev |
|---|---|---|
| Silver (spot fixing) | 410.10p | 412.95p |
| Copper (cash) | £984.50 | £986.50 |
| Coffee (Mar) | £2,428.00 | £2,332.50 |
| Oil (spot Arabian Light) | n/a | n/a |

**GOLD** (per ounce)

| | Feb 18 | Prev |
|---|---|---|
| London | $336.50 | $333.25 |
| Zürich | $337.25 | $333.25 |
| Paris (fixing) | $334.65 | $334.56 |
| Luxembourg | $332.75 | $333.75 |
| New York (April) | $339.70 | $338.40 |

**CURRENCIES**

| | US DOLLAR | | STERLING | |
|---|---|---|---|---|
| (London) | Feb 18 | Previous | Feb 18 | Previous |
| $ | – | – | 1.428 | 1.4205 |
| DM | 2.343 | 2.339 | 3.345 | 3.3225 |
| Yen | 181.05 | 180.15 | 258.5 | 256.0 |
| FFr | 7.195 | 7.18 | 10.275 | 10.2 |
| SFr | 1.938 | 1.925 | 2.7675 | 2.735 |
| Guilder | 2.6485 | 2.642 | 3.7825 | 3.7525 |
| Lira | 1,594.0 | 1,591.5 | 2,276.25 | 2,260.75 |
| BFr | 47.95 | 47.85 | 68.45 | 68.0 |
| C$ | 1.39575 | 1.39505 | 1.995 | 1.984 |

**INTEREST RATES**

| | Feb 18 | Prev |
|---|---|---|
| **Euro-currencies** (3-month offered rate) | | |
| £ | 12 9/16 | 12⅜ |
| SFr | 3⅞ | 3 |
| DM | 4⅝ | 4 9/16 |
| FFr | 14⅝ | 14¼ |
| **FT London Interbank fixing** (offered rate) | | |
| 3-month US$ | 8 | 8 |
| 6-month US$ | 8 | 8 |
| **US Fed Funds** | 7 15/16* | 7⅞ |
| **US 3-month CDs** | 7.60* | 7.70 |
| **US 3-month T-bills** | 7.01* | 6.99 |

**US BONDS**

**Treasury**

| | | Feb 18* | | Prev | |
|---|---|---|---|---|---|
| | | Price | Yield | Price | Yield |
| 8% | 1988 | 100 11/32 | 7.927 | 100 5/32 | 8.034 |
| 8¾ | 1993 | 101 15/32 | 8.492 | 100 9/32 | 8.71 |
| 8⅝ | 1996 | 101 17/32 | 8.643 | 100 9/32 | 8.83 |
| 9¼ | 2016 | 103 24/32 | 8.89 | 101 27/32 | 9.079 |

**Treasury Index**

| Maturity (years) | Feb 18* Return index | Day's change | Yield | Day's change |
|---|---|---|---|---|
| 1–30 | 140.96 | +0.86 | 8.49 | –0.12 |
| 1–10 | 136.73 | +0.48 | 8.27 | –0.11 |
| 1– 3 | 130.59 | +0.18 | 7.98 | –0.08 |
| 3– 5 | 138.90 | +0.52 | 8.35 | –0.12 |
| 15–30 | 156.17 | +2.24 | 9.28 | –0.16 |

*Source: Merrill Lynch*

| **Corporate** | Feb 18* | | Prev | |
|---|---|---|---|---|
| AT & T | Price | Yield | Price | Yield |
| 10⅜ June 1990 | 100⅜ | 10.15 | 100⅜ | 10.15 |
| 3⅞ July 1990 | 86.718 | 7.50 | 86.718 | 7.50 |
| 8¾ May 2000 | 91⅝ | 9.85 | 91⅝ | 9.85 |
| Xerox | | | | |
| 10⅞ Mar 1993 | 104⅞ | 9.75 | 104⅞ | 9.75 |
| Diamond Shamrock | | | | |
| 10⅜ May 1993 | 101¼ | 10.37 | 101¼ | 10.37 |
| Federated Dept Stores | | | | |
| 10⅜ May 2013 | 102.918 | 10.30 | 102.918 | 10.30 |
| Abbot Lab | | | | |
| 11.80 Feb 2013 | 110.606 | 10.60 | 110.606 | 10.60 |
| Alcoa | | | | |
| 12¼ Dec 2012 | 109.285 | 11.15 | 109.285 | 11.15 |

*Source: Salomon Brothers*

**FINANCIAL FUTURES**

| **CHICAGO** | Latest | High | Low | Prev |
|---|---|---|---|---|
| **US Treasury Bonds (CBT)** 8% 32nds of 100% | | | | |
| Mar | 88–18 | 88–25 | 87–27 | 88–07 |
| **US Treasury Bills (IMM)** $1m points of 100% | | | | |
| Mar | 93.19 | 93.21 | 93.12 | 93.15 |
| **Certificates of Deposit (IMM)** $1m points of 100% | | | | |
| Mar | 92.51 | 92.51 | 92.44 | 92.44 |
| **LONDON** | | | | |
| **Three-month Eurodollar** $1m points of 100% | | | | |
| Mar | 92.12 | 92.15 | 92.10 | 92.12 |
| **20-year Notional Gilt** £50,000 32nds of 100% | | | | |
| Mar | 112–25 | 113–04 | 111–31 | 111–28 |

* *Latest available figures*

SECTION III

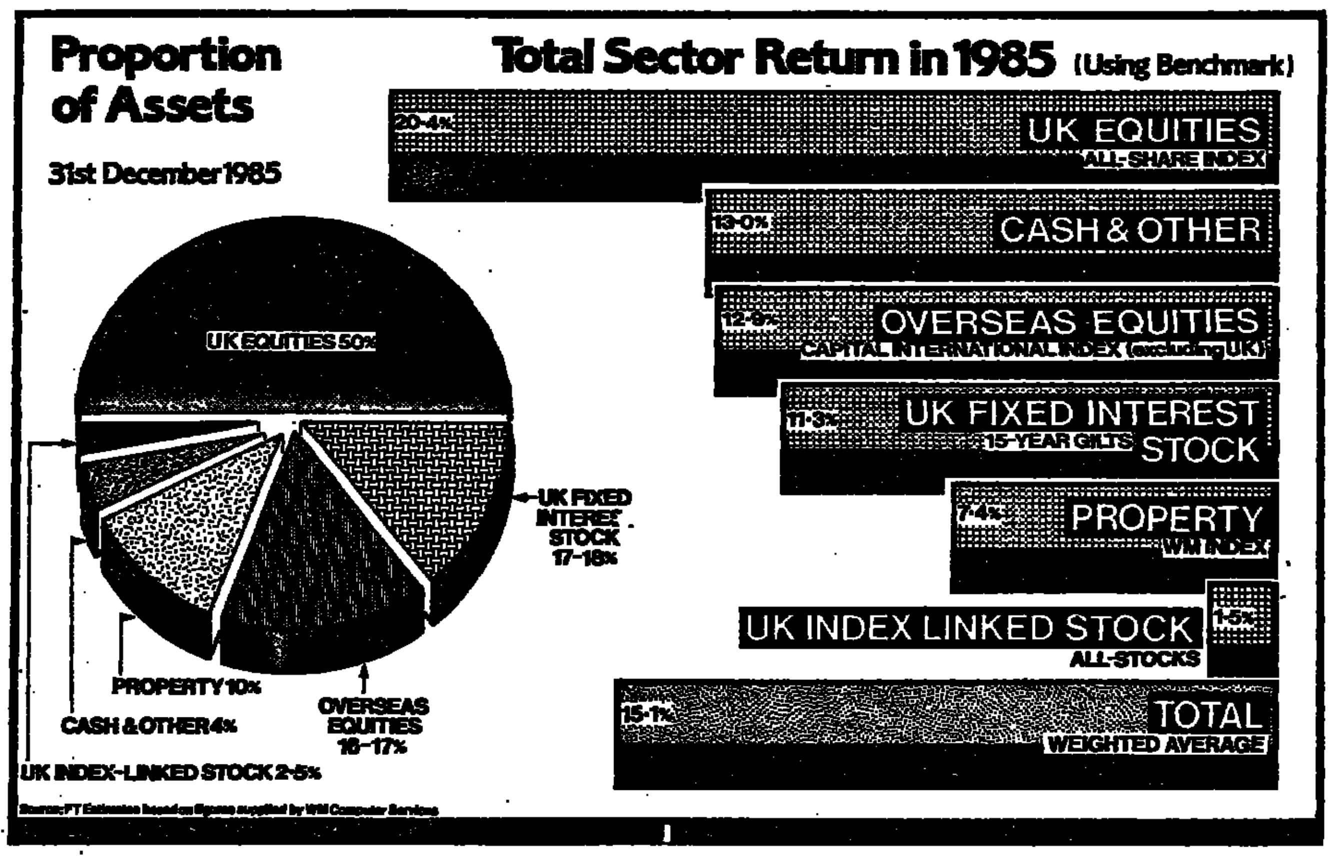
# FINANCIAL TIMES SURVEY

# Pension Fund Investment

The boom period for pension fund managers is coming to an end and a battle for market share is taking precedence at a time of general upheaval in the UK's securities markets

## Out to grab a bigger slice of the cake

By Clive Wolman




FOR the past 30 years, the management of occupational pension funds has been one of the fastest growing industries in the City of London.

The value of the assets of occupational schemes at the start of 1986 is estimated at between £125bn and £140bn by WM Computer Services, the UK's largest performance measurement service. Insured group and personal pension plans probably account for another £40bn. Pensions have thus become the largest component of personal wealth after residential property.

The boom period, however, is coming to an end. The battle for market share between investment managers is taking precedence at a time of general upheaval in the UK's securities markets.

The immaturity of company pension schemes and the age structure of the UK population imply that pension fund growth will continue, albeit at a slower pace, at least until the post-war boom baby generation reaches retirement age in around 2010.

Although the Government's declared aim is to encourage employees to set up personal pension arrangements, the Social Security White Paper, published in December, poses little threat to occupational schemes. Companies will still find it easy to deter employees from leaving their occupational schemes by imposing financial penalties.

However, over the next few years, the investment managers of occupational schemes expect the growth in pension fund assets to tail off. In 1984 total contributions into pension funds were about 45 per cent higher than the outflow of benefit payments. But this year the excess of inflows over outflows is expected to narrow substantially.

To some extent, the managers are the victims of their own success—and of the unusual combination of structural changes in the UK economy over the past five years. A worldwide upsurge in real interest rates and returns on capital reflected in a UK stock market boom since September 1981 have boosted the assets of pension funds far beyond actuarial expectations.

At the same time, mass redundancies, particularly among engineering and manufacturing companies have reduced the liabilities of pension funds to future generations of retiring workers.

Estimates of the size of pension fund actuarial surpluses vary greatly. The London Business School's (LBS) estimate in November of at least £50bn, nearly a third of total assets, was strongly contested by the Association of Consulting Actuaries (ACA) which suggested £8bn was nearer the mark.

The figure is politically sensitive. Large surpluses would make it easier for Mr Nigel Lawson, the Chancellor of the Exchequer, to remove some of the tax privileges of pension funds. The no-change commitment that the pension fund lobby persuaded the Chancellor to make in last year's Budget applies only until the next election.

Both the ACA and LBS have made controversial assumptions in reaching their figures. For example, the ACA does not base its valuations on the current stock market prices of equities and bonds but on the projected cash flows from these assets. And their projections are far more pessimistic—they call it "conservative"—than those of stock market investors.

On the other hand, the LBS's figures are inflated by the inclusion of life insurance fund surpluses. The true size of the pension fund surplus is probably between £20bn and £35bn.

Some of this surplus is being used to improve benefits, in particular to raise pensions more in line with inflation.

But what is worrying investment managers is that many companies are cutting their contribution rates or taking contribution holidays, particularly if they feel under pressure to boost profits by the threat of a possible takeover bid.

The Rockware Group and BICC both announced two-year contributions holidays earlier this month. Other companies, such as Mirror Group Newspapers, have used pension fund assets indirectly to finance redundancies and two companies have been allowed by the Inland Revenue to claw back some of their pension fund assets and redeploy them within the company.

Thus several fund managers accept that in order for their fee income to grow, at least during the remainder of this decade, they will have to rely on luring clients away from competitors and developing their specialist high-value services.

The competition, however, is widening. US investment banks, which in recent years have been challenged in the US domestic pension fund market by UK investment houses, are taking the battle into enemy territory in London. Stockbrokers, insurance companies and specialist investment houses are also challenging the traditional dominance of the merchant banks.

Over the past year, the number of dismissals of pension fund managers reached a record. Two years' poor performance by an investment house can lead to an exodus of clients.

In addition, the regulatory changes envisaged in the Financial Services Bill and the reforms in the Stock Exchange this autumn should lead to more openness about the managers' fees. At the very least, this will allow trustees to make comparisons more easily between different managers.

The increasing sensitivity of pension fund trustees to fees

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## Pension Fund Investment 2

# Greatest impact will be on stockbrokers

### City Revolution — The Effects on Fees

BARRY RILEY

THE FUND management industry will have its own Big Bang later this year when the present charging structure is largely blown away as a direct consequence of the scrapping of the Stock Exchange's minimum commissions scale. Exactly what kind of fee basis will be adopted in future is the current topic of earnest and nervous debate within nearly all the pension fund management houses.

Only the small investment "boutiques" are taking a relaxed line. They are confident that their apparently high fees —which may be 0.5 per cent of funds managed, ranging up to even 1 per cent on relatively small portfolios—will look comparatively less steep once rival types of managers have been forced to bring hidden charges out into the open.

"The banks will have to raise their management fees," says Mr Denis Brandt, joint managing director of one small boutique, Bamford Brandt.

However, the most dramatically affected group of management houses will be the stockbrokers with specialist pension fund management arms. These include Phillips & Drew, Grieveson Grant and De Zoete & Bevan.

Until now it has been the practice of most brokers to make no separate management charge apart from the brokerage charged on transactions. But since commissions will be neogtiable after Big Bang, it is likely to be necessary for them to agree a more conventional form of remuneration from their clients.

Phillips & Drew, the biggest broker/fund manager, has already split off its fund management operation, both legally into a separate corporate entity and physically into a different building. It will begin charging on a fee basis later this year.

Important changes will also be necessary for the merchant banks, the dominant operators in pension fund management. A large element of their remuneration has been coming from dealing in securities on behalf of clients, this being in addition to declared charges which possible average between 0.2 and 0.4 per cent, but which can be under 0.1 per cent on the largest portfolios.

"Many management houses are concerned at how they are going to get remunerated after Big Bang," says Mr Alan Cumming, pension fund director at Hambros Bank.

According to Mr Peter Axten, in charge of pension funds at Hill Samuel, another accepting house, the uncertainty will persist for some months yet. "It's very difficult to postulate a fee scale at this stage which is fair to the client," he suggests.

Traditionally, the merchant banks have used various means of extracting extra revenue out of stock market transactions. At one time, some of them would only deal with broking firms which kept substantial interest free deposits with the bank.

More recently, some have begun to charge an "activity fee" of as much as 0.5 per cent on foreign transactions, which are said to incur higher costs.

But the most important way in which revenues are generated is through taking advantage of the lower commission rates which are charged by brokers on progressively larger trades. A £100,000 equity transaction will attract a commission of ½ per cent, but the very largest trades, of over £2m, are at a marginal commission cost of only ¼ per cent. This is in accordance with the Stock Exchange's official scale of minimum commission.

Most merchant banks, and some other fund managers, take the view that they are entitled to reap the benefit of any difference between the commission which an individual client would pay, and the lower rate paid when the bargains of various different client funds are grouped together. This is the benefit of "aggregation."

The deals do not all have to be done at once. Under the so-called "continuation" rule of the Stock Exchange, bargains in the same company's stock channelled through the same broking firm within a three-month period may be treated for commission rate purposes as a single cumulative transaction. Aggregation plus continuation are worth many millions a year to the merchant banks.

Big Bang threatens to sweep all this away. Not only will fixed commissions be replaced by negotiable ones, but it may be that commissions will disappear entirely from large sections of the securities markets, to be replaced by trading on the basis of net prices.

The straightforward response would be to switch to what is dubbed "see-through" remuneration. This would involve passing all the benefit of centralised dealing on to the client. It would consequently imply a substantial increase in the level of direct charges.

One or two of the bigger houses, such as Robert Fleming and Warburg, have already moved in this direction, but most merchant banks are still waiting on the sidelines.

Although the increases in charges would not be all that great for the big client funds, which would be substantial enough on their own to qualify for many of the economies of large-scale dealing, the rates at the lower end might rise by 50 or even 100 per cent.

There is considerable discussion as to how different clients might respond. In practice, it matters to some clients whether the fees are paid up front or through less visible levies on transactions.

Sometimes, for instance, companies pay the charges while the pension fund pays the commissions. And at some local authorities, charges are the subject of heated debate in politically divided committees, while commissions, though considerably larger, are scarcely noticed.

For this reason, some merchant bankers feel that the switch to see-through remuneration will be far from complete. One possibility is that clients will accept a nominal commissions scale which would allow the existing charging basis to continue. Another is that the overseas-style activity fee will spread to domestic market transactions at a rate, one banker suggests, of ¼ per cent.

*London Stock Exchange:* The scrapping of its minimum commission scale will have a strong impact on the charging structure of the fund management industry

At any event, few practitioners report any great pressure for change from their clients. "Most of the pension fund trustees are sitting back and waiting to see what Big Bang will bring," says Mr Stuart Webb, fund management boss at Lazards.

Even see-through charging may not be totally transparent. There will remain several grey areas, one such being the amount of research that should be made available in-house by the fund managers out of the management fee rather than bought in from brokers through commissions.

Another would be the extent to which services like DataStream or performance measurement should be bought for "soft" commissions.

In many aspects of practical portfolio management the same question pops up: who should pay, manager or client? Sometimes there is a good reason of administration or tax why the client fund should pay, but there are also cases where the clients' ignorance is exploited.

Draft rules on disclosure are among those being prepared by the embryo self-regulatory organisation for fund managers, IMRO. One of its earliest priorities must be to clean up this distinctly messy area of remuneration.

# Out to grab bigger slice of the cake

CONTINUED FROM PAGE 1

and performance is being revealed in another way. During each of the three years to July 1985, the median UK equity portfolio of pension funds achieved lower returns than those on the FT-A All-Share Index, the traditional benchmark of performance. Over the entire three year period, even the top quartile fund's performance was below the All Share Index.

The response of some trustees to such disappointing performance has been to hand over up to 70 per cent of their UK equity portfolios to index-matching fund managers. For cut-rate fees they manage portfolios on a purely passive basis with no element of stock selection, and aim to do no more than track the performance of the All-Share Index. This growing market is dominated by Barclays Investment Management, followed by County Bank and US pension consultants Frank Russell.

The management of overseas equities has long been popular as it allows fund managers to develop specialist niche services for which they can charge higher than average fees without being squeezed by the competition.

In this sector too, however, UK fund managers have made several major errors over the last two years, such as hedging the dollar too far in advance of the slide which began last March and failing to cash in on the stock market re-rating of the Japanese financial sector.

Many, however, were more successful in anticipating the boom in Continental European equities during 1985.

In contrast to the increasing willingness of investment managers to switch between different stocks—and of trustees to switch between different managers—there has been much more stability over the last year in the allocation of pension fund assets between different markets.

Except for the reversal in the fortunes of the dollar, most markets continued along the same trends as in 1984, and this encouraged stability. The main changes in the proportion of assets held in each market have arisen not through switching but because of the different rates of capital growth.

Thus by the end of 1985, the proportion of pension fund assets tied up in UK equities is estimated to have risen to just above 50 per cent for the first time since exchange controls were dismantled in 1979. This was largely the result of a 20.4 per cent return on the All-Share Index during the year.

The share of overseas equities also grew, after falling back slightly in 1984, to around 16 or 17 per cent. The biggest loser was property, whose share fell to 10 per cent, the lowest since asset returns have been recorded, and less than half the proportions recorded in the mid-1970s. Index-linked Government securities also fared badly, as UK inflationary expectations were lowered.

**Past performance analysis**

| | 1981-85 (Cycle —5 years) % per annum | 1926-85 (Long term —60 years) % per annum |
|---|---|---|
| Gilt edged | 16.8 | 5.2 |
| UK equities | 24.5 | 11.0 |
| Overseas equities (aggregate) | 26.0 | n.a. |
| —US | 27.1 | 12.0 |
| —Japan | 30.3 | n.a. |
| Property | 9.0 | n.a. |
| Cash | 11.7 | 5.7 |
| Retail price index | 6.6 | 5.1 |
| Earnings | 8.1 | 7.1 |

The table reviews the performance of the main investment sectors suitable for pension funds over the last five years (a normal business cycle) and over the long-term (in this case 60 years). The long-term data is only available for gilts, UK and US equities, cash and the retail price index.

*Source: William M. Mercer—MPA Ltd.*

# Commission cut could boost activity

## The Effects of the City Revolution on Dealing Costs and Activity

BARRY RILEY

QUITE new trading techniques and relationships will emerge in the UK's domestic securities markets after the Big Bang scheduled for the last Monday in October.

But many British fund managers feel that they will benefit from the experience they have gained from trading in the US markets, and also from the London markets in foreign securities which have sprung up since the Stock Exchange launched its "Little Bang" in the spring of last year.

The general expectation is that average commissions will fall — by perhaps 30 per cent on equities and by much more on gilt-edged stocks. This could stimulate an increase in trading activity, although a major determinant of costs here is the 1 per cent stamp duty paid on equities by buyers (but not the sellers). Much will depend on decisions taken by the Chancellor of the Exchequer in his Budget next month.

After Big Bang, dealing patterns in London will certainly change, but how much? Opinion is divided as to whether trading will continue at least partly on the current basis — that is, the jobber, or market-maker, is remunerated out of the spread between his bid and offer prices, while the broker receives a separate commission — or whether it will switch completely to a "net" basis where no separate agency commission is payable.

In gilt-edged, it is thought that trading will move over pretty well immediately to a net basis. A number of the 29 market makers approved by the Bank of England are likely to trade quite aggressively, and major institutions will want to deal directly with them.

The picture in equities could be more confused. Already Robert Fleming is a major market-maker in domestic equities outside the official market, as are some of the American securities houses on occasion. This business is done net. But it would be wrong to conclude that agency business will disappear after Big Bang.

The point is that institutions, including external pension fund managers, will continue to need equity market research. They are likely to prefer, as now, that their clients should pay, through commissions, rather than have to set up their own comprehensive in-house research departments.

One possibility is that funds will continue to pay commissions, at least to certain brokers, on the basis of scale charges less a negotiated discount.

This may be particularly true of the smaller institutions. For instance Mr Denis Brandt of the pension fund "boutique" Bamford Brandt does not foresee sudden major changes in dealing practices.

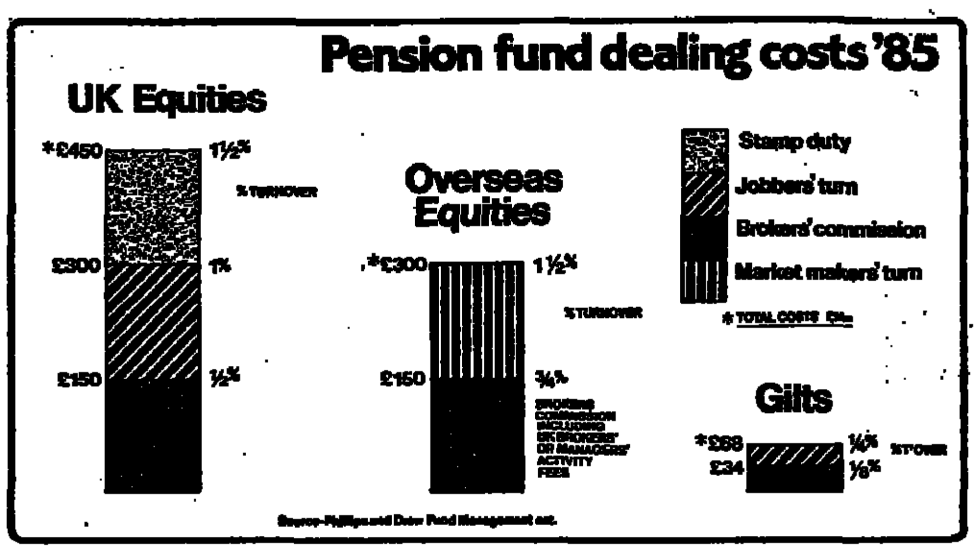
"We rely very much on personal contacts," he says. "It is inappropriate to screw the broker down to the point at which he isn't making much money. If you're too mean, you don't get the ideas." But he accepts that the market may evolve towards a net basis for trading.

Bigger management firms may want to set up more complex arrangements. For instance, they may be able to allocate straightforward transactions — what the Americans call "no brainers" — to particular firms as compensation for research or other services.

But Mr Stuart Webb of Lazards thinks he may need to be more selective in future. "For difficult shares we may need to go direct to market-making specialists," he says.

Then there is the possibility of trading on a modified net basis, one in which the spread includes an implied commission, or perhaps there is a guarantee that a certain amount of business will be done each year with a market maker.

This option is being considered by Mr Peter Axten, pension fund chief at Hill Samuel. But he admits there could be problems in ensuring that the quotes are still competitive. "We suspect a significant part of the business will go to market makers. It's going to become a very tough world," he says.




Certainly there will be a lot of pressure on fund managers to organise their relationships with securities firms, something that has not been quite as important in the context of a fixed scale of commissions — though the merchant banks, in particular, have already found it profitable to channel transactions through a dealing bank.

"The arguments for centralised dealing will be even stronger post-Big Bang," says Mr Axten. "This is because arrangements will have to be negotiated with individual market-making and broking firms, and tight control of dealing will be necessary to ensure that the potential savings in transaction costs will be realised.

But this may not prove to be an easy development where fund managers have been used to a great deal of individual freedom in terms of who they talk to and where they place their business.

Fund managers and their in-house dealers may also need to take more notice of the growing opportunities for using futures and options contracts, where these are cheaper to use than the cash market.

To make up for the squeeze on commission rates, securities firms will be seeking to stimulate a rise in turnover after Big Bang. In gilt-edged they face the problem that changes in the tax structure will remove the motivation for much of the turnover by institutions in London, and new reasons for churning portfolios will have to be found. There is no such hurdle to be overcome in equities, however.

"In equities, volumes will increase very dramatically in the next two or three years," says Mr Peter Quinnen, chief executive of London's biggest broking firm, James Capel. Already the trend is strongly upwards, with equity turnover topping £500m on an average day last month. Four years ago, £200m would have represented a good day.

Many fund managers tend to agree that they are prepared to implement strategic decisions more quickly. An American-style division between active and passive management is appearing, and active managers want to demonstrate to their clients that they are working hard for their fees.

All the same, the high dealing costs in London — where switches can cost anything up to seven or 8 per cent on the smaller stocks — have inhibited trading. Lower commissions and greater liquidity after Big Bang should help — but 1 per cent stamp duty remains an obstacle.

A recent Bank of England research paper suggested that the 1984 cut in stamp duty from two to 1 per cent has boosted equity turnover by some 70 per cent. Even so there could be a long way to go because shares in London change hands on average only once every five or six years, whereas they change ownership every two years on the New York Stock Exchange.

But, with Budget pressures mounting following the collapse in the oil price, it remains to be seen whether Mr Nigel Lawson will answer the stock market's pleas and consign stamp duty to oblivion.

# Critics argue system — could have been tidier

## Regulatory Changes

JOHN MOORE

LONDON'S financial community faces its most extensive regulatory upheaval in years. New legislation currently before Parliament is designed to establish a regulartory framework for about 15,000 investment businesses, in an effort to provide improved investor protection.

The new legislation, incorporated in the Financial Services Bill, will require anyone conducting investment business in the UK to be authorised. Carrying out business without authorisation will be a criminal offence which could lead to fines or imprisonment.

As envisaged, the legislation will enable the Secretary of State for Trade and Industry to transfer wide-ranging regulatory powers to a single designated agency. That agency is to be formed around the existing Securities and Investments Board, a board consisting of a range of investment practitioners and chaired by Sir Kenneth Berrill.

Other appointments are to be made to the board this year, to reflect the range of markets which will be regulated by this main policing body. A number of independent members are to be introduced.

To gain authorisation, investment businesses will have two main routes: either they can be authorised by the Securities and Investments Board or they can be recognised by self regulatory organisations (SROs). The SROs must gain approval from the Securities and Investments Board before they are allowed to function. They must satisfy the board's criteria for self-regulation.

The basic test for the approval of SROs is whether they provide a system of regulation equivalent in every respect to that provided by the board itself under its statutory powers for directly authorised individuals.

The Government has concluded that members of occupational pension schemes already have extensive protection because virtually all schemes, except public service schemes, operate under a law of trusts, which requires trustees to act in the interests of the scheme members in management of investments.

So trustees of occupation pension schemes will not be subject to regulation under the framework proposed for financial services. They are already subject to a body of law which protects the interests of scheme members.

Any investment manager, however, or adviser involved in the administration of schemes as a business—other than as an employee—will require authorisation.

As insurance companies carrying on pension fund management have been authorised under the Insurance Companies Act of 1982 they would not require separate authorisation. But they would be required to observe the conduct of business rules of the new board and breaches of the board's rules would be matters to be taken into consideration by the Department of Trade and Industry.

So far the Securities and Investment Board has been considering applications for the formation of a number of self regulatory organisations — although the New York Stock Exchange has recently indicated that it too would like to become a recognised SRO.

**There is growing unease that the new financial conglomerates may have to join half-a-dozen self-regulatory organisations**

Those seeking SRO status are:

- The Stock Exchange—covering firms dealing and broking in securities and related options and futures; investment management and advice incidental to this business.
- The International Securities Regulatory Organisation—covering firms dealing and broking in securities, international money market instruments, forward agreements and related futures options.
- The Association of Futures Brokers and Dealers—covering firms dealing and broking in futures and options; investment management and advice incidental to this business.
- The National Association of Securities Dealers and Investment Managers—covering firms dealing and broking in securities and collective investment products: investment managers and advisers.
- The Investment Management Regulatory Organisation—covering investment managers and advisers, including managers and trustees of collective investment schemes and in-house pension fund managers.
- The Life Assurance and Unit Trust Regulatory Organisation—covering life companies and unit trust managers and trustees, for the management and selling of insurance linked investments or units in a collective investment scheme by themselves and their tied sales force.
- The Life and Unit Trust Intermediaries Regulatory Organisation — covering insurance and unit trust intermediaries, so far as their business is limited to life assurance and unit trust products.

In order to reduce potential overlap the Securities and Investment Board is attempting to encourage a merger or federation of the Investment Management Regulatory Organisation and the Life Assurance and Unit Trust Regulatory Organisation; and a similar merger of the National Association of Securities Dealers and Investment Managers and the Life and Unit Trust Intermediaries Regulatory Organisation.

The Investment Management Regulatory Organisation has the backing of the Accepting Houses Committee of merchant banks, the National Association of Pension Funds and other bodies representing unit trusts, investment trusts, insurance companies and brokers, clearing banks, investment analysts and pension consultants.

But there is growing unease in the new financial conglomerates that are developing in the City that they may have to join half-a-dozen self regulatory organisations to cover their various activities, including pension fund management.

Critics of the proposed framework argue that it would have been intellectually tidier to adopt a strictly functional approach that would involve recognising one self regulatory organisation to cover each activity — broking, insurance selling, investment management, investment advice, futures, securities dealing and other financial business — and strictly limiting them to those functions.

Sir Kenneth Berrill said recently: "The latter course seems to me wholly impractical. Quite apart from failing to keep down the number of SROs it is simply not possible, in the real world, to make clear distinctions at the margin between types of investment business. Most firms, if they attempted a functional analysis of their business, would admit to at least half-a-dozen activities that are quite frequently contributing to a single profit centre."

He stressed that the services now offered by securities firms "are all part of a single integrated service to clients." He said that it was quite unreasonable that securities and financial groups should join half-a-dozen SROs to provide it."

# Tougher line taken by trustees

## Battle to Manage Funds

TERRY GARRETT


THERE was a time when running a pension fund was virtually a job for life. Whether out of ignorance or timidity, trustees rarely questioned the judgment or investment performance of the men entrusted with the company employees' future pensions.

There is a tale that has become part of the pension sector's folk lore of the daring trustees who wrote to their fund manager in London, having not heard a peep out of him for a couple of years. They tentatively asked if he would like to pop up to their headquarters and tell them how things were progressing. Back came the indignant reply from the man in the City that he did not tell his clients how to make widgets and he did not expect them to question his ability in fund management.

The tale has no doubt been embellished over the years—presumably he did not say "widgets"—but the theme of the story is certainly a correct image of the relationship between trustees and managers more than 20 years ago.

Yet times have changed and that relationship has thankfully been turned on its head. Today any hint that the trustees are thinking of taking their business elsewhere would have the fund manager scooting off for the next train to defend his ground.

The complaint now from managers is that the trustees have become too myopic in their attitudes, not allowing managers sufficient time to display their true abilities.

Up to a point that complaint is well founded against some trustees, but of course it is their responsibility to ensure that the members of the fund are getting the very best and not to worry about fund managers' jobs. A company monitors the performance of its employees — salesmen, production workers, buyers and so on —so why should the fund manager escape scrutiny?

Traditional wisdom argued that a manager should be judged over bear and bull markets and two colours of Government. Only then could an investor (or trustee) see if the manager was of sufficient calibre to deal with varied fortunes. But the current Government has been in situ for years and the last real bear market is so long ago that many of the younger fund managers of today were not then in the City.

So this is where the independent performance measurement companies come in, such as WM Pension Fund Service, CAPS (Combined Actuarial Performance Services) and Noble Lowndes' Investment Performance Monitoring Service (IPMS)—until recently better known as Cubie Wood.

Ideally a manager's performance should be judged over three years or possibly even five. Anyone can have a bad year and those trustees who try to pick their managers on a one or two year view are unlikely to be doing a great service to their members by jumping from horse to horse.

However, if a change is needed then it is as well to employ one of the specialist performance monitoring services to help find a replacement.

There is a growing trend towards splitting a company's pension scheme across more than one fund manager—there are two basic ways of achieving this: horizontal and vertical splitting.

The first method of horizontal splitting is a fairly commonsense way of spreading a large fund. This is simply dividing up the fund to more than one management house to spread the risk. It is no different to spreading a personal portfolio over a number of different shares, except on a larger scale.

The bulk of the portfolio can be aimed at those managers who the trustees believe will deliver an average to above average performance, while a small proportion of the fund can be turned over to a more risk orientated development where, all being well, a high return can enhance the overall performance.

Of course there is a practical limit to how far a fund can and should be spread horizontally because of the burden of costs with each separate fund manager.

Vertical splitting is something less common. This is where the trustees appoint an asset allocator who then structures an ideal portfolio in broad brush terms, dividing the fund into UK equities, gilts, property, overseas bonds, foreign equities and so on. The trustees then appoint specialist managers to handle each part of the portfolio into specific shares, developments, etc.

In essence this is what happens in most fund management houses anyway, but by using this method the trustees can, in theory, appoint the best UK equity manager, the best US bond manager and so on.

So the fund ends up with half a dozen top managers, whereas in one investment house the trustee would have to settle for the indifferent managers as well as the better ones.

Theory is one thing, but in practice vertical splitting has its problems. Obviously everything turns on the ability of the asset allocator in the first place. Even assuming his ability is first rate, there is a problem for the managers to act sufficiently speedily to keep up with the allocator's requirements. There is also a potential conflict of interest if the asset allocator is one of the specialist managers as well.

Also what happens if the allocator wants to withdraw temporarily from a particular area? Does the specialist manager stay on board on some form of retainer? If so, he is being paid for nothing other than his goodwill if the allocator moves back into that area.

So far there are very few people offering this specialist asset allocator service, and many of those who do are using computer models better suited to the US than the UK.

Nevertheless, it is an interesting concept that could gain ground as it becomes more refined in the UK market. Its development can only heighten the battle to manage funds.

# Big swings between winners and losers

THE INCREASINGLY competitive nature of the pension fund investment management business is shown by this year's table of leading managers. Among the 21 top managers listed, the change in the level of funds under management has varied by anything from plus 63 per cent to minus 16 per cent; this in a year when an averagely performing fund would have achieved an investment return of around 16 per cent (excluding property) and should have grown by around 25 per cent overall, including the net inflow of contributions.

Included in the list are nine independent merchant banks, four offshoots of clearing banks (whose figures are boosted by the inclusion of their parent banks' pension funds) and three stockbroking firms. There are also three independent specialist managers (including MIM, newly separated from merchant bankers Samuel Montagu), and two big life assurance groups which are now offering segregated fund management in addition to their more traditional insured schemes and managed funds.

Investment performance over the past two or three years is now highly influential in deciding relative success or failure among the management houses. After two bad years, they start to lose clients, and they find it hard to gain new ones because the short lists put together by consultants are restricted to those with above average performance.

The main sufferers in the past year have been Hill Samuel, N. M. Rothschild and Geoffrey Morley. Hill Samuel, for instance, says it lost 20 clients last year because of poor investment performance in 1983 and 1984, but it claims that its performance was near the median for 1985.

However, the tendency for larger funds to be split between different specialist managers does offer management firms the opportunity to market a specialist service—say for smaller company stocks, or for bonds—even where their overall record is weak.

In this year's table Warburg continues to build up its lead, and has now doubled its client base in two years—although the size of the average client fund has declined.

In contrast, Morgan Grenfell has achieved a larger percentage gain in funds managed from a small increase in the client base, indicating that it is concentrating on larger funds. Schroders seems to have had a lack-lustre year for overall growth in funds managed, but holds the lead among the merchant banks for the size of average client fund at some £46m.

**Barry Riley**

**Leading pension fund managers**

| | Value of funds (£m) 1985 | 1984 | % Change | Number of clients 1985 | 1984 | % Change |
|---|---|---|---|---|---|---|
| Warburg | 8,300 | 6,600 | 25.8 | 365 | 254 | 43.7 |
| Schroders | 6,250 | 5,750 | 8.7 | 135 | 131 | 3.1 |
| Robert Fleming | 5,217 | 4,125 | 26.5 | 123 | 104 | 18.3 |
| Phillips and Drew Fund Management | 5,160 | 4,000 | 29.0 | 150 | 134 | 11.9 |
| County Bank* | 4,658 | 3,536 | 31.7 | 133 | 117 | 13.4 |
| Morgan Grenfell | 4,635 | 3,300 | 40.5 | 147 | 140 | 5.0 |
| Barclays Investment Management | 4,200 | 3,300 | 27.3 | 68 | 58 | 17.2 |
| Hill Samuel | 3,300 | 3,100 | 6.5 | 152 | 175 | −13.1 |
| Lloyds Bank | 2,821 | 2,530 | 11.5 | 31 | 31 | 0.0 |
| Baring Brothers | 2,352 | 1,965 | 19.7 | 71 | 66 | 7.6 |
| Midland Bank | 2,093 | 1,818 | 15.1 | 35 | 30 | 16.7 |
| Prudential Corporation | 2,015 | 1,500 | 34.3 | 19 | 12 | 58.3 |
| N. M. Rothschild† | 1,972 | 2,032 | −2.9 | 61 | 72 | −15.3 |
| Pember and Boyle | 1,700 | 1,200 | 41.7 | 17 | 15 | 13.3 |
| Grieveson Grant | 1,676 | 1,424 | 17.7 | 76 | 74 | 2.7 |
| Legal and General | 1,500 | 1,200 | 25.0 | 50 | 40 | 25.0 |
| MIM‡ | 1,350 | 827 | 63.2 | 70 | 54 | 29.6 |
| Lazards§ | 1,280 | 1,120 | 14.3 | 46 | 39 | 17.9 |
| Ivory and Sime | 1,177 | 1,026 | 14.7 | 63 | 63 | 0.0 |
| Geoffrey Morley | 1,027 | 919 | 11.8 | 36 | 36 | 0.0 |
| Kleinwort Benson | 980 | 1,170 | −16.2 | 37 | 41 | −9.8 |

* County Bank advised 1985 £2.6bn, 1984 £2.515bn.
† N. M. Rothschild—61 clients, 86 portfolios.
‡ MIM—formally Samuel Montagu; 1984 figure adjusted minus Pension Unit trust figure from £1,120. 1985 figure including Pension Unit Trust would have been £1,472m.
§ Lazards—1984 figures adjusted from £1,600 and 52 clients by the Lazards.

Research: Jan Schling

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## LARGEST UK PENSION FUNDS

| PUBLIC SECTOR | £ |
|---|---|
| The Electricity Council | 3,578,100,000 |
| The Post Office | 3,264,000,000 |
| British Railways Board (3 funds) | 3,063,110,000 |
| National Coal Board (2 funds) | 3,050,834,000 |
| British Steel Corporation | 2,380,000,000 |
| British Gas Corporation (3 funds) | 2,335,229,000 |
| British Airways | 1,666,700,000 |
| Water Authorities Superannuation Fund | 1,039,183,000 |
| Strathclyde Regional Council | 957,000,000 |
| Greater Manchester Metropolitan County Council | 878,279,118 |
| Greater London Council | 848,000,000 |
| West Midlands County Council | 758,518,000 |
| British Broadcasting Corporation* | 750,000,000 |
| London Regional Transport (2 funds) | 647,344,000 |
| Merseyside County Council | 520,480,001 |
| Civil Aviation Authority | 494,918,533 |
| Bank of England | 424,125,000 |
| West Yorkshire Metropolitan County Council* | 410,000,000 |
| South Yorkshire County Council | 406,000,000 |
| Lancashire County Council | 402,000,000 |
| Tyne and Wear Metropolitan County Council | 370,387,077 |
| British Shipbuilders | 356,875,000 |
| Hampshire County Council | 303,500,000 |
| Essex County Council | 290,642,000 |
| Kent County Council | 287,841,000 |
| Northern Ireland Local Government Officers' Superannuatn. Committee | 275,136,000 |
| Lothian Regional Council | 266,603,847 |
| Staffordshire County Council | 248,279,000 |
| South of Scotland Electricity Board* | 242,591,000 |
| Cheshire County Council | 231,618,000 |

| PRIVATE SECTOR | £ |
|---|---|
| British Telecommunications | 4,623,900,000 |
| Barclays Bank (2 funds) | 2,146,373,878 |
| Imperial Chemical Industries (2 funds) | 2,005,440,000 |
| Shell Pensions Trust | 1,959,300,000 |
| Universities Superannuation Scheme | 1,905,000,000 |
| The British Petroleum Co. | 1,875,900,000 |
| National Westminster Bank | 1,765,000,000 |
| Lloyds Bank | 1,148,551,000 |
| Unilever | 1,206,000,000 |
| Midland Bank | 1,011,000,000 |
| Imperial Group | 992,425,000 |
| Merchant Navy Pensions Administration (2 funds) | 984,598,000 |
| Prudential Assurance Co. | 915,953,000 |
| Ford Motor Co. (2 funds) | 890,817,000 |
| British Aerospace | 793,000,000 |
| BL Public Limited Company (2 funds) | 665,106,000 |
| Rolls-Royce (2 funds) | 617,016,000 |
| Allied-Lyons | 573,549,000 |
| IBM United Kingdom | 524,192,000 |
| Vauxhall Motors | 512,632,000 |
| Philips Electronic and Associated Industries | 466,584,000 |
| Trustees Savings Bank Central Board* | 463,000,000 |
| Sun Alliance and London Insurance Group | 447,900,000 |
| The Boots Company | 436,472,000 |
| Grand Metropolitan (2 funds) | 423,000,000 |
| Lucas Industries (2 funds)* | 405,000,000 |
| Esso Petroleum Company | 390,000,000 |
| Commercial Union Assurance Company | 380,812,000 |
| Metal Box | 372,326,000 |
| The Distillers Company | 368,890,684 |
| Dunlop | 360,984,000 |
| Marks and Spencer | 359,500,000 |
| Natnl. Freight Consortium | 358,358,850 |
| TI Group (2 funds) | 353,370,000 |
| Courtaulds | 348,000,000 |
| Thorn EMI | 342,000,000 |
| Reed International | 326,675,000 |
| Cadbury Schweppes | 322,823,000 |
| Co-operative Wholesale Society | 303,000,000 |
| Bass | 294,200,000 |
| BICC | 290,371,000 |
| The Plessey Company | 290,188,000 |
| Bank of Scotland | 282,245,000 |
| Ranks Hovis McDougall | 277,997,000 |
| International Computers | 264,890,000 |
| Associated British Foods | 261,418,583 |
| Royal Insurance Group | 259,700,000 |
| Pearl Assurance | 255,403,000 |
| Mars Security | 249,500,000 |
| Whitbread and Co. | 247,000,000 |
| J. Sainsbury | 243,889,089 |
| Pilkington Bros. (2 funds) | 241,223,751 |
| Rank Xerox | 236,022,000 |
| Guardian Royal Exchange Assurance | 234,300,000 |

* Book value, all others at market value.
Source: National Association of Pension Funds Yearbook 1985.

# Encouragement to matched-funding

**Bond Investment Techniques**

ALEXANDER NICOLL

IT SEEMS no more than pure common sense for a pension fund to attempt to match the income from a bond portfolio to the payouts which the fund expects to make to pensioners.

In fact, it's a lot more complicated than that. Such a method may appear to involve forgoing some yield by limiting investment opportunities. UK pension fund managers generally do not know the precise amounts and timings of their liabilities, and perhaps more importantly have not had some of the incentives which have led to their US counterparts into precision techniques of this kind.

The result is that very few UK pension funds have so far employed the so-called matched-funding techniques which have become fairly widely used by US managers anxious to improve the performance of their bond portfolios. As competition for business hots up this year between market-makers in the London fixed-income markets, it is likely that more managers will be encouraged to consider them.

Meanwhile, UK pension fund managers are employing other ways to improve bond portfolio performance. They are making increasing use of financial futures, both in the US and UK, where the London International Financial Futures Exchange (Liffe) is recording steady growth partly as a result of their heightened activity.

Technology has been an important force both generally in enabling managers better to assess comparative investment avenues, and specifically in enabling complex strategies to be devised. Matched-funding depends on it: the fund's expected liabilities to pensioners are fed in to a computer, and it comes up with a portfolio of fixed income bonds of which the interest and principal payments match the amounts and timings of the payouts as closely as possible.

> Futures, and to a lesser extent options, are being used by some UK fund managers to improve and protect their performances. Gilt futures contracts on Liffe are the most obvious vehicle for this—as well as US Treasury and other bond futures.

It is not a new idea. Annuity schemes in both the US and UK employ it. But US fund managers were led to try more sophisticated methods of "dedicating"—another term for the process—their bond portfolios by several factors.

Companies, faced by profit squeezes, needed to reduce pension costs. Liabilities of the pension fund, and the extent to which it was un-funded, had to be disclosed, so there was pressure to reduce the funding gap.

One way to do this was clearly to increase the yield on the portfolio, but to do so in a conservative way which would be accepted by the actuaries. Actuaries typically assume a fairly conservative rate of return on reinvestments of cash flowing, for example, from bond coupons. So there is a clear incentive to have as little money as possible subject to this lower rate, particularly at times, such as in the early 1980s, when bond market yields were well above the conservative actuarial assumptions.

Enhancing the return of the portfolio in a manner acceptable to actuaries enabled companies to put less into pension funds, and reduced the extent to which funds were underfunded. But matched-funding could also be viewed purely as an investment decision.

Leading Wall Street investment houses, such as Salomon Brothers*, devised several ways in which to treat portfolios. In theory, it would be possible to find a portfolio, including US Treasury securities such as zero-coupons, to provide an "exact match," in which—in the words of Salomon—"each dollar of coupon and principal receipts on a given date is immediately used to support the required payout on that same date."

In fact, such a match would severely limit the range of bonds in which a fund is likely to be able to invest. So a matched-funding strategy will probably involve a compromise in order to get a respectable yield. This will mean partial and temporary reinvestment on short-term money markets of coupon income.

The theory would aslo imply that the pension fund manager who had invested his fund in an exactly-matched portfolio could then sit back but active management would, in practice, be necessary and potentially profitable, as well as constant assessment of a bond portfolio to ensure that it was well spread across different types of borrowers, issues, and so on. A further complication is that many bonds are subject to redemption calls before maturity.

An additional technique of this kind is "immunisation," which involves protecting the value of a matched-funded portfolio from interest rate movements. Under this method, falls in the value of the portfolio caused by a drop in bond prices are compensated by the higher yield obtainable at the time from reinvesting coupon proceeds.

This and similar strategies could be seen as akin to hedging a portfolio from adverse interest rate movements—though far more complex, and *achieving different results*, than simpler forms of hedging such as using futures markets.

Futures, and to a lesser extent options, are already being used by some British portfolio managers to improve and protect their performances. Liffe's gilt futures contracts are the most obvious vehicle for this—as well as US Treasury and other bond futures.

*Prudential Portfolio* Managers, one of the biggest fund management groups, has been among the leaders in promoting the use of futures. In a recent publication, the firm argued that "financial futures are very much here to stay and their increasing use, especially by other major fund managers, will be wholly beneficial."

Prudential points out that futures, providing adequate cash is kept to meet margin requirements, "offer exactly the same exposure to price movements as investing in the stocks or shares to which the contracts relate." In addition, Liffe dealing expenses are lower than those on the Stock Exchange—though this may change in London's "Big Bang" restructuring this year.

Three important uses are identified by Prudential: arbitrage, in which pricing anomalies between markets enable a fund to buy a futures contract at a lower price than that prevailing for the underlying stock; hedging, in which a manager protects against, for example, a fall in the value of an underlying portfolio by selling the futures contract; and investment, in which a manager invests in futures as an active part of an investment portfolio, potentially to enhance return, reduce dealing costs and provide flexibility to switch quickly between market sectors.

Options are likely to represent a growing portion of these activities, with share, gilt and *index options already* traded on the Stock Exchange, and Liffe due to launch options on gilt futures this year.

* *Matched-Funding Techniques. The Dedicated Bond Portfolio in Pension Funds, by Martin L. Leibowitz, Salomon Brothers Inc, 1985.*

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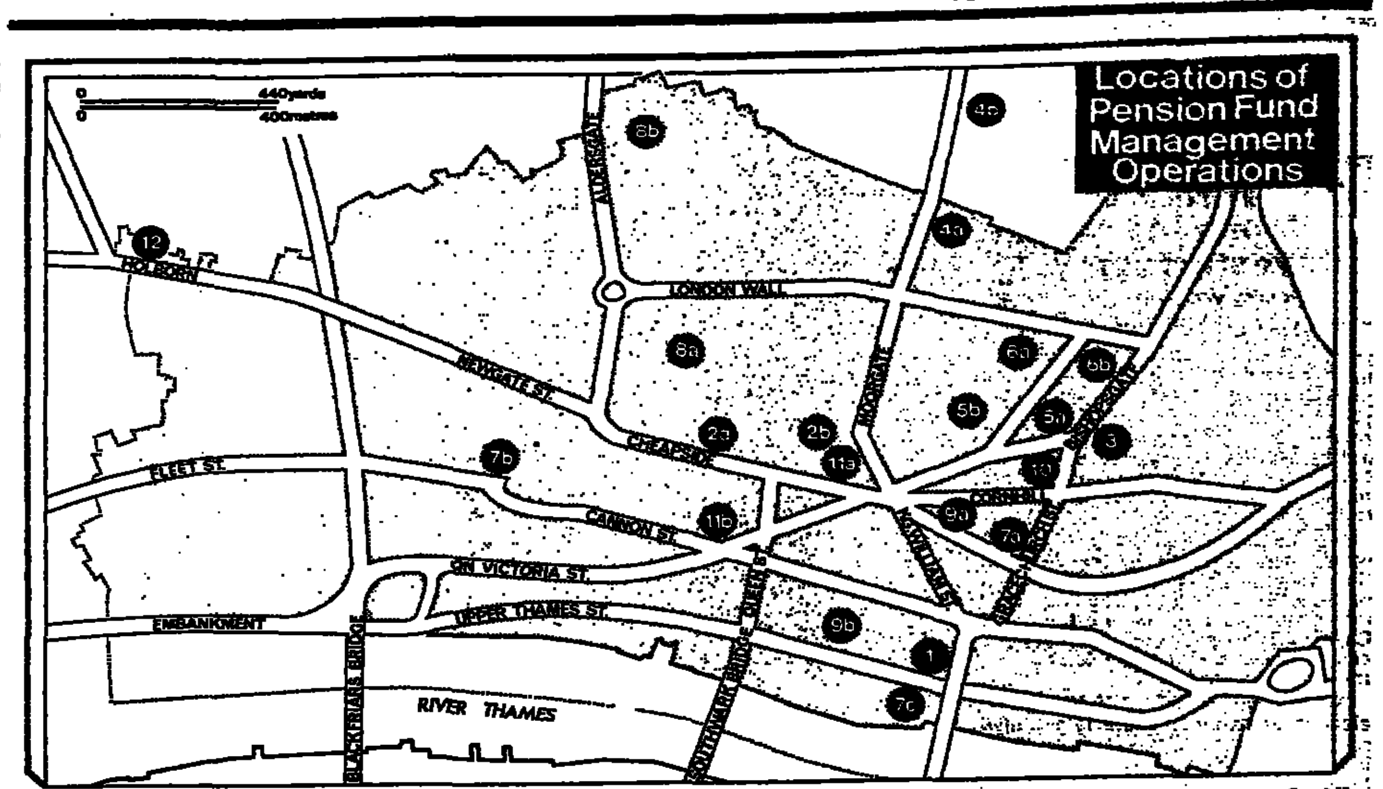



KEY TO MAP: 1, All operations of Warburgs. 2A, J. Henry Schroder Wagg. 2B, Schroder Investment Management. 3, All operations of Robert Fleming. 4A, Main operations of Phillips & Drew Fund Management. 5A, Headquarters of County Bank. 5B, County Bank Investment Management. 6A, Headquarters of Morgan Grenfell. 6B, Morgan Grenfell Asset Management. 7A, Headquarters of Barclays Bank. 7B, Barclays Investment Management. 7C, New offices for BZW. 8A, Headquarters of Hill Samuel. 8B, Hill Samuel Investment Management Services. 9A, Headquarters of Lloyds Bank. 9B, Lloyds Bank Investment Managers. 10, Baring Bros. 11A, Headquarters of Midland Bank. 11B, Midland Bank Investment Management Services. 12, All operations of Prudential

# Caught in a race against time

## Conflict of Interests Issue

LIONEL BARBER

THE newly-emerging financial conglomerates in the City of London are working against time. With Big Bang only seven months away, they must settle a host of problems, not just to the satisfaction of the new regulatory authorities but also to their customers and the general public.

Perhaps foremost is the conflicts of interest issue, potentially explosive and highly topical in the light of several well-publicised scandals in the City over the past year.

As one senior pension fund manager remarks: "Unless we deliver the goods on this issue, we run the risk of damaging irretrievably our own name and the name of the City of London as a reputable international financial centre."

Pension fund managers have, of course, lived with conflicts of interest for many years. At S. G. Warburg, for example, the investment management group has lived alongside the corporate finance team, and both have been effective and respected performers inside the overall merchant bank. But the demands placed on investment managers at S. G. Warburg represent an increase in responsibility.

Under a plan which will be unveiled in April, Warburg's investment management activities will be formally rendered separate from the group's broking and market functions, brought together through the creation of a new financial conglomerate involving Rowe & Pitman, stockbrokers, Mullens, the gilts brokers, and Akroyd & Smithers, the stock jobbers.

At first sight, this seems paradoxical. After all, the aim was to create a highly-capitalised conglomerate offering customers a variety of services which had previously been kept rigorously apart. Having welded the machine together, it now appears that it is to be partially dismantled.

Not quite. As Warburg Investment Management points out, the decision to formally separate investment management from market-making in no way affects the logic behind the creation of the financial conglomerate. Instead, it underlines a realisation, shared in varying degrees thoughout the City, that there is no way that the two activities could work hand-in-hand in the new deregulated environment.

Put crudely, the interests of the pension fund manager and those of his client may differ fundamentally from the interests of the market-maker, short-term or long-term. As one senior pension fund director says: "We want to be able to say that we don't buy anything which anybody tells us to. When you are up against the wall, you have to retain that independence."

Warburg has already begun to take steps to ensure that this independence is not merely perceived but is also reality. All directors of Warburg Investment Management who were on the main board of S. G. Warburg have resigned; there are no more cross-directorships.

As from April, there will be a group called Mercury Asset Management which will have four prongs: Warburg Investment Management, Warburg Investment Management International, Mercury Fund Managers (the unit trust group) and Rowe and Mullens.

Under this arrangement, the group will be supervised by Mercury Investment Group. Though the chairman of Mercury Asset Management, Mr Peter Stormont-Darling will have a seat on Mercury International Group (MIG), it is stressed that MIG is not an operating board and therefore MAM is indeed an independent entity, dependent on its own financial targets with its own senior management team.

There is no doubt, however, that Mercury Asset Management is aware that it may have to make further changes. For example, one obvious move would be to appoint a number of independent directors; but there is a general feeling that this might appear cosmetic. Hence one option might be to consider the introduction of outside shareholders.

WIM stresses that this does not mean that the business is up for sale. Far from it. With some £8bn plus funds under management at WIM, and another £3bn plus funds controlled at Rowe & Pitman and Mullens, the plan is to allow MAM to develop on its own.

Under the reorganisation planned in April, MAM will assume responsibility for all institutional fund management, with Rowe and Mullens retaining its private client business.

To the independent pension fund managers, the problems created by life inside the conglomerates is see as vindicating their view that it is simpler to stay seperate from the start. At MIM (formerly Montagu Investment Management), now 100 per cent owned by Aetna Life, the US insurance giant, one thrust of the group's marketing efforts will be to stress the group's unfettered independence from market-making and from corporate finance activities (previously linked when MIM was controlled by Samuel Montagu, itself majority owned by Midland Bank).

Mr Nicholas Taylor, senior investment director on MIM's pension fund side, says that the group's independence is best described by the move to new headquarters at Devonshire Square near Bishopsgate. "There is higher motivation and better performance running one's own show. That counts in the minds of trustees."

> Pension fund managers have lived with conflicts of interest for many years. But demands placed on investment managers following the Big Bang this October will represent a sharp increase in responsibility.

A similar theme emerges at the Prudential, where the investment management subsidiary is run independently as Prudential Portfolio Managers.

Mr Trevor Pullen, a senior director, foresees many problems inside the conglomerates which will not necessarily be solved through the creation of such devices as the compliance officer.

For example, if one of the conglomerates' salesmen has news of a "hot" stock, does he tell the market maker, one of the researchers in the broking team, or does he pass the word to the investment fund manager? The dispersal of information and how it is used is, in Mr Pullen's view, going to pose a dilemma for the conglomerates.

Equally, Mr Pullen believes that it will be difficult for investment fund managers to resist putting a substantial amount of business in the way of the broking arms of the conglomerate, particularly if the quotes for prices are the same. The urge to get a better deal in this area may be an important difference for the independents, not just on price but also on research, he argues.

Since PPM adopts positions on behalf of its clients (rather than itself), it does not feel it necessary to create Chinese Walls between the dealing functions and the investment management side. Indeed, PPM's fund managers do their own dealing; the Pru's view is that this leads to greater motivation and "controlled individual responsibility."

Nevertheless, the Pru has installed a system in its telephones to record deals made by fund managers, enabling it to check on price and terms agreed in the market place. It is in effect an electronic compliance officer.

Despite these management devices designed to supervise the dealing and investment activities, it is universally agreed that more will have to be done before Big Bang. Most important of all will be the demands made by the new Securities and Investments Board. Until these are fully defined and agreed, everything is very much in the air.

# Subtle shift in Labour policy

## Tax Threat to Overseas Investments

CLIVE WOLMAN

IN THE two years leading up to the 1983 general election, pension fund managers prepared to shift rapidly a large part of their assets overseas, in order to forestall the risk of a Labour Government, committed to re-imposing exchange controls, being returned.

One leading merchant banker, with a penchant for the dramatic, told his clients that they would have aircraft waiting on the runway to take off for the Cayman Islands as soon as the election results started to come in—if they were bad.

Now, however, as the 1987-88 election approaches, there is no sign of any such preparations being made by the City's institutional investors, even though the fortunes of the Labour Party continue to revive. The reason is a subtle and superficially ingenious shift in policy by the Labour Party.

Under its traditional policy of imposing exchange controls, an incoming Labour Government would have risked allowing the horse of investment funds to bolt before it could close the stable door.

The lifting of exchange controls in 1979 has already done more to change the asset allocation of pension funds than any other single factor. The overseas assets of pension funds and insurance companies have increased nearly tenfold (in nominal terms) over the last six years. Pension funds have about 17 per cent of their assets abroad, primarily in US, Japanese and a few Continental European equities.

The Labour Party's new policy was developed in 1984-85, a period when the fiscal privileges of pension funds and insurance company investments were in any case threatened by the Chancellor, Mr Nigel Lawson. Labour's policy is that the fiscal privileges of pension funds and other institutional investors will be withdrawn unless they reduce the proportion of their overseas holdings in line with a specified target.

Mr Doug Jones, the economic assistant to Mr Roy Hattersley, the shadow Chancellor, says that the target proportion is likely to be close to the pre-1979 proportion of around 5 per cent of total assets.

This would require the repatriation of about £25bn of assets. He adds, however, that pension funds are likely to be given at least five years to reach this target, although they will probably have to achieve intermediate targets in the intervening years.

To absorb the money that is repatriated, the party plans to set up a British National Investment Bank (NIB) which would pay to depositors interest in line with market rates. The money would be invested in infrastructural projects and in private sector companies to create new jobs.

Thus pension funds would be encouraged to trade in the bulk of their overseas equities for UK Government fixed or floating interest rate deposits or possibly index-linked stock.

The NIB would pay market rates of interest. If the inflation outlook under a Labour Government deteriorated substantially, nominal market interest rates might rise so high to force the Government to concentrate on index-linked stock as the main source of its, and the NIB's funding.

Mr Jones says that the main purpose of such measures would be to give an incoming Labour Government a smooth ride, free from the traditional sterling crises. To this extent, the policy might be successful in that the foreign currency markets would expect a strong inflow of investment funds throughout the Government's period of office. In addition, speculators would gain little by sending money overseas and forcing sterling down in the run-up to the election.

The longer term effects of the policy are less clear-cut. Pension funds with investments in some of the smaller overseas stock markets would have to withdraw their assets sensitively and slowly, to avoid forcing down prices. This might be a danger in, for example, the Hong Kong and Scandinavian markets where UK investors have a large exposure.

Those smaller investment management houses which have sought to carve out a niche for themselves by focusing on specialist services, particularly in overseas equities where charges can be higher, would be most vulnerable to a loss of clients and fee income.

For example, Fidelity International, an offshoot of the Boston firm, invests typically 25 to 30 per cent of its UK pension clients' money in overseas markets, and emphasises its cosmopolitan style of management.

Some of the money pension funds repatriated would probably find its way into UK Government-backed deposits and loan-stock, particularly index-linked stock but some would probably go into the property sector, and rather more into the UK equity market.

The first-order effect of such an inflow of investment funds should be to bring down UK real interest rates and the return on capital, at least relative to the rates in the rest of the world. Since exchange controls were abolished in 1979, rates of return on capital in the UK have risen steeply, even more than rates elsewhere. Lower returns would reduce pension funds' actuarial surpluses and lead either to an increase in contributions or a cut in benefits to pensioners.

However, this effect, which is one of the Labour Party's objectives, may be offset or even nullified by other effects.

Firstly, the Labour Party does not intend to penalise UK companies that invest in genuinely trading subsidiaries overseas. Thus multinationals may find it easier to raise equity capital from investors seeking greater overseas diversification — and then use the money to build up assets overseas.

Indeed their overseas subsidiaries could then indirectly help finance a UK pension scheme by cutting their dividends to their UK parents and investing their surplus cash in foreign equities. As about 40 per cent of total UK corporate profits are earned overseas, the effect would be substantial.

Such strategies will be particularly attractive if the rates of return on investment projects in the UK are depressed by the excess of funds around seeking out a limited number of opportunities. Even now, the managers of the rapidly expanding UK venture capital funds have been complaining not about the lack of funds, which seem plentiful, but the lack of attractive investments. Thus pension funds may end up with greater weightings of UK-based multinationals in their portfolios at the expense of exclusively domestic stocks.

The lower rates of return would also encourage foreign investors in the UK, both portfolio investors and, to a lesser extent, foreign multinationals, to take their profits and redeploy their assets elsewhere.

Pension funds believing strongly in the benefits of diversifying risks across different stock markets might adopt another strategy to retain their overseas equity portfolios.

To ensure that their net overseas assets did not exceed the Government's 5 per cent limit, they could repatriate their foreign currency and re-finance their overseas holdings with back-to-back loans. This practice was becoming more widespread in the last few years of exchange controls.

# Expectations become more muted

## Cashflow Effects of Government Initiatives

GEORGE GRAHAM

WHEN the Government published its Green Paper on the Reform of Social Security in June last year, it offered the prospect of a swift and dramatic expansion in the pension industry. The proposal to phase out and eventually abolish the State Earnings-Related Pension Scheme (Serps) would have meant the switching of a large volume of pension contributions away from the state scheme and into private sector pension funds.

Government estimates in the Green Paper put the increase in pension contributions at around £750m in 1987-88 — the first year of the proposed transition period — rising to around £1.25bn by 1989-90.

Some analysts believed the eventual figure would be even higher. Edinburgh stockbrokers Wood Mackenzie & Co for example reckoned the end of Serps would give a potential £2bn a year of extra cash flow to the pensions industry by 1990.

Some of this money, particularly the smaller contributions of lower paid employees, would be likely to go to savings institutions such as the building societies, but Wood Mackenzie estimated that life assurance companies, which have in the past held the monopoly over the provision of personal pension plans, would corner around £1.8bn of the total.

The Stock Exchange, too, was enthusiastic about the proposed abolition of Serps. It believed that this abolition would provide between £500m and £1.25bn a year of extra funds for stock market investment, rising steadily until the year 2002, when the last employees allowed to remain in Serps would retire.

All these expectations become more muted now that it is known, following the publication in December of the full White Paper on the Reform of Social Security, that Serps will not be abolished, but will be retained in a slightly slimmed down form.

All is not lost for those who hoped that money would flow away from the state scheme into private sector pension plans. The White Paper still contains measures which should enhance the attraction of personal pension plans and make it easier for employees to move out of Serps.

Mr Richard Dingwall-Smith, of Wood Mackenzie, says it is still possible that life assurance companies will receive a boost of perhaps £500m a year to their overall cash flow, on the assumption that 10 per cent of those now in Serps will choose to move into private pension plans.

This is likely to make itself felt quickly, for the White Paper offers an extra rebate of 2 per cent of earnings to personal pensions and occupational pension schemes which contract out of the state scheme.

This bonus will be paid only up to the end of the 1992-93 fiscal year, so those who want to respond to the incentive are expected to move quickly to contract out.

It remains very doubtful whether many employees will in practice have the option of leaving their company pension schemes, in favour of making their own personal pension arrangements.

Several employers are expected to take a very hard line and make it clear that they view any attempt to opt out of the company scheme as disloyalty. This could place a brake on the growth of personal pensions based on defined contributions, which had been expected to win out over the traditional defined benefit schemes, where the pension is based on the employee's final salary.

The Government is, however, determined that "everyone will be able to choose whether to stay in his employer's pension scheme, or full in the state earnings-related scheme; or to rely upon a personal pension to give him additional income in retirement."

The spread of personal pensions to a wider market is expected to result in a change in the form of investment. "Security of investment will be particularly important and the new schemes are likely to aim at a high proportion of fixed capital, low risk investment," argues the Stock Exchange in a paper on the effects of the proposed pension changes on stock markets. "A higher ratio of gilts to equities may therefore be favoured in these schemes, compared with larger occupational funds."

Government securities had fallen as a proportion of total pension fund portfolios from 22 per cent in 1979 to 18 per cent by the end of 1984, the last full year for which figures are available. This decline could be reversed, however, and the Stock Exchange expects gilts to make up 25 per cent of pension fund portfolios in future.

Within the gilt-edged market further changes could result from the White Paper's proposals. Because the guaranteed minimum pension element of a pension scheme, whether personal or occupational, will have to be index-linked up to a certain level, there could be additional demand for index-linked gilts. These currently form around 15 per cent of total gilt portfolios, but any significant increase is likely to be hampered by the shortage of stock available.

Index-linked gilts have not been an outstanding success in investment terms—in 1985 they actually managed to produce a total return less than inflation, as capital values fell with lack of demand. They would be essential, however, to institutions which want to match their investments to their commitment to inflation proofing a portion of the pensions they are paying out, even if inflation proofing is only required up to 3 per cent, as the White Paper envisages.

There is, however, less than £10bn of Government index-linked stock available, and so far only the Halifax Building Society in the private sector has issued an index-linked security.

Some building societies which, like the Halifax, could match the stock to housing assets that are also index-linked, might follow suit. But if institutional demand for index-linked securities grows, the main supplier will have to be the Government.

# Managers influence heightened by takeover activity

## Fund Managers as Shareholders

CLIVE WOLMAN

THE frenetic take-over activity during the last year has given pension fund investment managers an unprecedented degree of influence over the management and control of quoted UK companies.

Since the last bout of bid fever in the early 1970s, pension funds have become the largest group of shareholders in British industry. Their ownership of about 40 per cent of all UK stock market-quoted equities has given them a decisive role in take-over battles.

Fund managers report over recent months an almost continuous stream of visitors to their offices in the City from the managements and merchant banks of companies bidding or being bid for.

One beneficial consequence, they believe, is that the top executives of companies have generally become more conscious of their financial performance—and better briefed when talking to their main institutional shareholders.

Others, however, are less sanguine. In recent months criticisms of fund managers and the pressures on them to perform have been voiced not only by vulnerable industrialists and politicians but also by key figures in the City.

The most striking critique has been that of Mr David Walker, an executive director of the Bank of England responsible for the securities markets, when speaking to an audience in Glasgow in late October. He claimed that the fear of a hostile takeover bid was forcing many company boards to become obsessed with short-term objectives and to regard any longer-term imaginative planning and long-term capital spending as a luxury.

Like many company directors and other critics, he laid much of the blame with institutional investors who "take unduly myopic views." The "foreshortening in the time horizons of investment managers" was, he said, reflected in the increasing turnover of their UK equity portfolios. This in turn was the result of the increased attention that their clients were giving to their short-term investment performance records.

**All but the very largest investment houses insist they have neither the time nor the skill to become involved in company management decisions. Such compliance has sometimes allowed managements to make poor judgments.**

Several qualifications are needed to Mr Walker's arguments. Figures collated by WM Computer Services, the biggest performance measurers, suggest that over the last five years the only cause of any substantial increase in pension fund turnover in UK equities was the halving of stamp duty in 1984. This suggests further increases are likely when dealing costs are cut further in October.

Most pension fund investment managers say that pension fund trustees typically judge their performance over at least three years and in some cases five. The period that used to be considered ideal was a complete stock market cycle, somewhere between five and eight years. But markets have been less cyclical over the last decade.

The investment managers generally have quarterly meetings with the trustees to review their performance and a more detailed comparison with other funds and indices is carried out once a year.

According to Mr Colin Day, managing director of Henderson Pension Fund Management which says it is committed to long-term investment: "Although the trustees say they will judge you over three to five years, they get very upset after two bad quarters and try to draw too many conclusions from it."

Mr Peter Axten, managing director of Hill Samuel Pensions Investment Management, makes a similar point: "One year's bad figures can sour a relationship and make a fund manager look over his shoulder the whole time. He may feel he has to change his strategy just when it would have come right if he had held on."

Over the last year at least two pension funds have sacked their managers after only about 18 months, and one did so after only nine months — although poor performace is not always the only reason. Geoffrey Morley and Partners, a large independent investment management house, lost many clients on the basis of just two years' poor performance, in 1983 and 1984.

Such pressures can make fund managers either excessively cautious, if their objective is to avoid falling below the closely watched median returns, or, occasionally, desperate in an attempt to make up lost ground.

What is doubtful, however, is whether there is any systematic bias towards the short term. Fidelity International for example produces weekly analyses of its fund managers' performance as part of its management information system. But it says its strategy is still based on long-term fundamentals. And Mr Roy Peters of County Bank Investment Management says that the main change in its approach has been not to upgrade short-term objectives but to implement major portfolio shifts more swiftly and aggressively.

Perhaps the main change has been not a focus on short-term performance measurement but a focus on all types of performance measurement. "The greatest disease of the pensions world has been the inertia which some disguise as loyalty," says Mr Day. "But all that is now changing."

How do these pressures affect pension fund investors' views of company management and their role in takeover battles?

All but the very largest investment houses insist they have neither the time or skill to become involved in company management decisions. Their only response is to buy or sell in the market. Such compliance has sometimes allowed managements to make poor decisions, for example the Imperial Groups acquisition of Howard Johnson, although that move was opposed by a few shareholders led by J. Henry Schroder Wagg.

In other cases, however, a fall in a company's share price caused by selling pressure from institutions has been enough to stop a deal, for example, Allied Hambro's proposed merger with Charterhouse J. Rothschild in 1984.

In contested takeovers, fund managers differ widely in their approach. A few investors, typically conservative actuarially-led insurance companies such as Pearl Assurance, consistently support a target company in a bid battle. They say that if they did not believe in its management, they would never have invested.

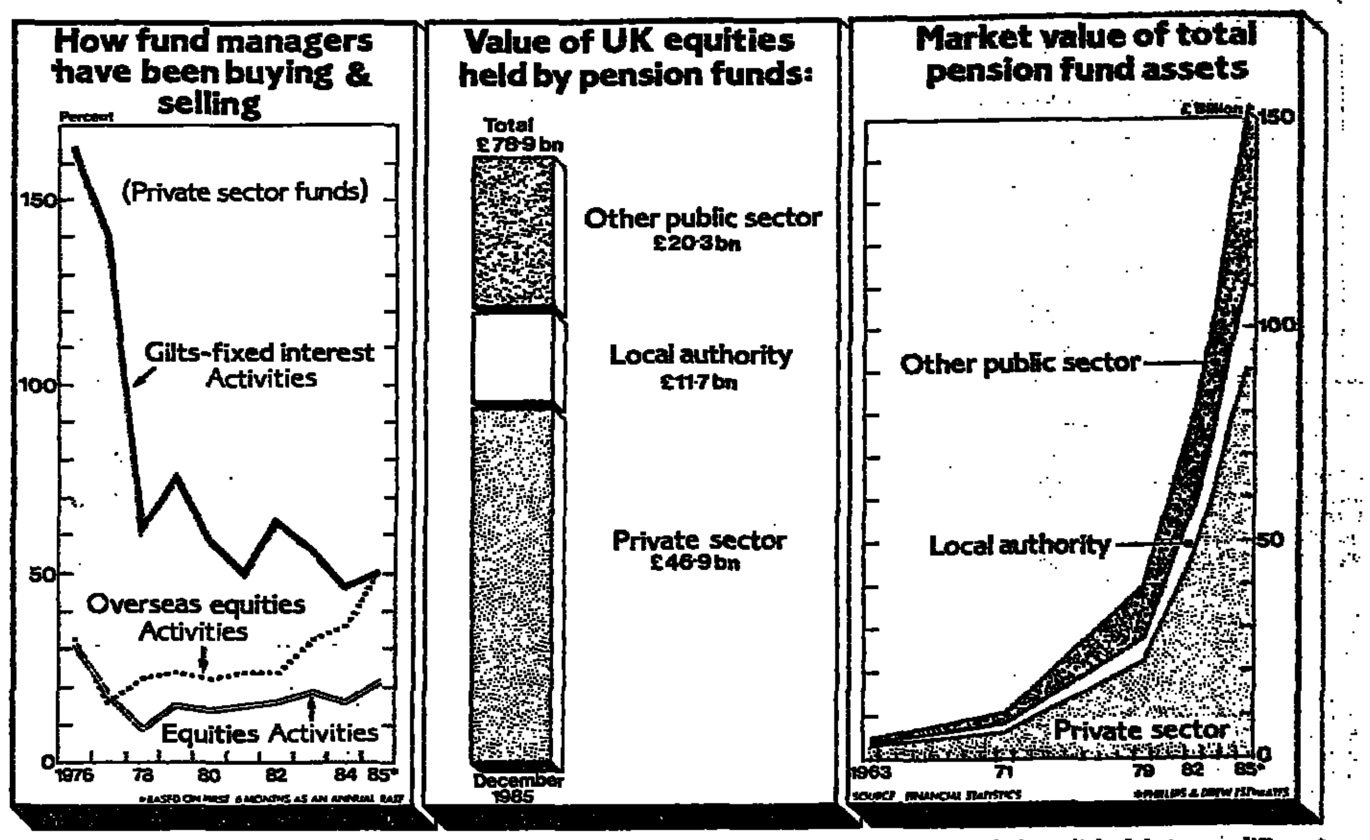
But most have become more pragmatic. When it has a major stake in a target company, Hill Samuel consults the trustees on how their shares should be voted. Schroder, although normally supporting the existing management, accepts that "there is clearly a price at which an asset has to be sold." MIM's fast-growing pension fund investment arm takes a similar attitude. "We invest because we like a company," says director Mr Jeff Attfield. "But if we get an attractive take-over offer, we accept that the value of the company is being realised more quickly than we anticipated."

Warburg Investment Management, the largest pension fund managers, although committed to a long-term investment strategy, is prepared to go one stage further and exploit short-term arbitrage opportunities in take-over battles.

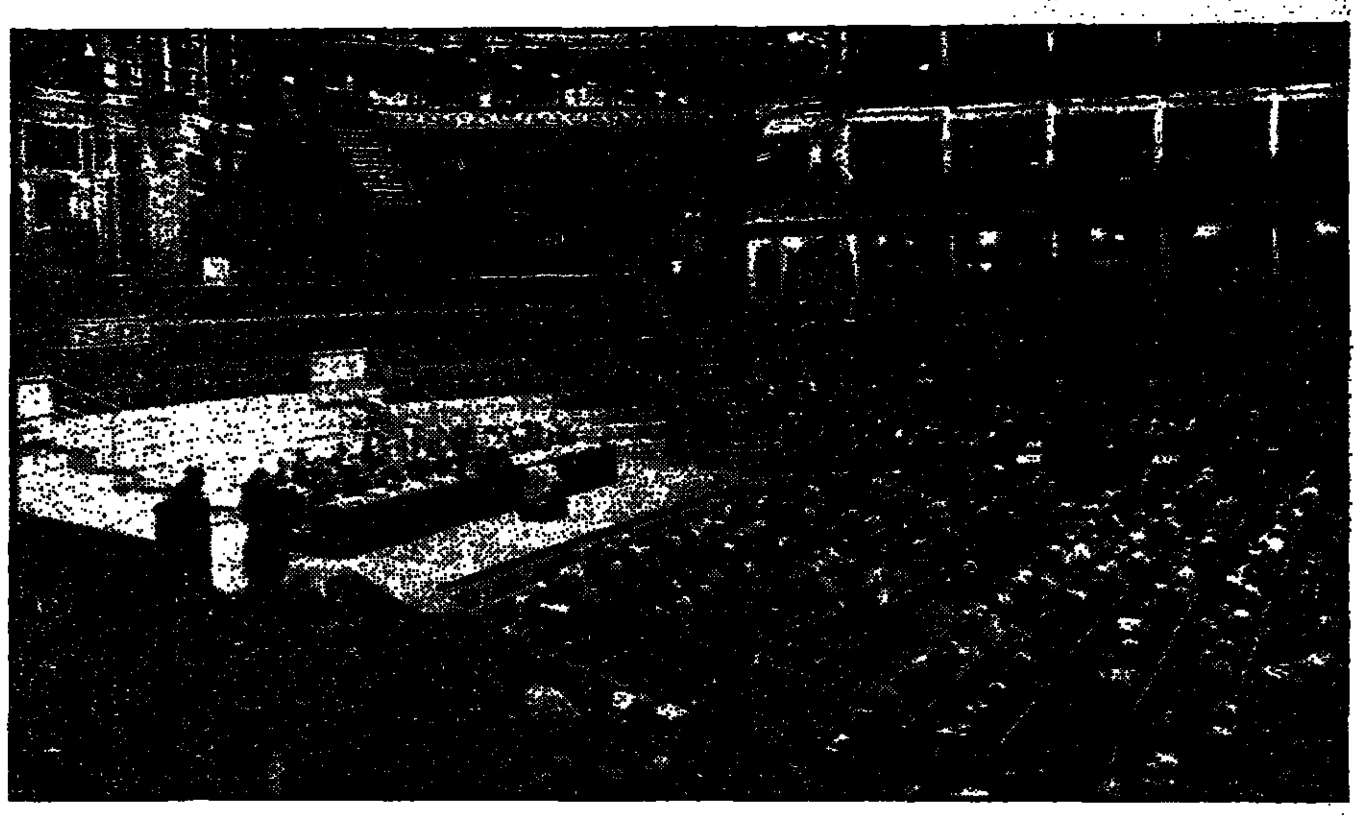
County Bank too is prepared to sell in the market the shares of a company whose management it supports if a bid price is "overblown"—and buy back later if necessary. Dealing costs make such "round-tripping" expensive—and a pension fund with a large stake may find the market insufficiently liquid.

However, changes in the stock exchange this autumn should both cut dealing costs and allow fund managers to trade large blocks of shares with highly capitalised market-makers. This should make less frequent the sharp falls of 20 to 30 per cent in a target company's share price if a bid fails, for example that for Matthew Brown two months ago and for John Waddington in 1984.

Thus an increasing focus on maximising investors' returns in a bid battle will be matched by an increasing ability to manouevre cheaply to do so. Such changes will certainly harm the management of UK industry if fund managers pay insufficient attention to long-term prospects. But after two decades of satistical analysis of share prices, academics have failed to find any evidence of the systematic investor—and that accords well with what the investment houses say about themselves.




Activity measures the percentage of the average value of the fund's holdings in a sector which is switched between different securities in one year. It thus represents half the turnover of the fund, excluding the net investment or disinvestment from estimates made by Phillips & Drew Fund Management



AGM of Westland. Fund managers report over recent months an almost continuous stream of visitors to their City offices from the managements and merchant banks of various companies bidding or being bid for





# Broadening of services offered

## Pension Fund Consultants

ERIC SHORT

THE INVESTMENT management responsibility of a pension scheme rests with the trustees. By and large they are laymen in this field, though the standard of their knowledge has risen appreciably in recent years.

There is no shortage of fund managers all anxious to sell their services to pension fund trustees. The role of the trustee, however, goes far deeper than simply selecting managers, and handing over the pension contributions for investment.

From the outset, trustees need to have a clear idea of their investment objectives, in relation to their liabilities, the risks undertaken and overall parent company corporate objectives.

They will then need to select one or more investment managers to carry plans through, and will have to check that the performance of the investment managers matches up to stated objectives.

The consultant to the pension scheme is ideally placed to advise the trustees and the parent company on these investment aspects. After all they are fully aware of the liabilities of the scheme and of the capabilities of the players in this investment field.

Consulting actuaries and pension consultants have been providing this service to clients for many years. It has developed from the straightforward recommendation of managers, through a performance measurement analysis of the investment returns to the sophisticated advisory service of the present day.

The diagram accompanying this article shows how the pension adviser gets fully involved in the decision-making process of investment management, without becoming involved in either the overall strategy or day-to-day investment decisions.

It shows that this is very much a continuing exercise with objectives being constantly reviewed in the light of experience.

The consulting actuaries and pension consultants have acquired considerable expertise in advising on the selection of investment managers. Client notes from these consultants cover such items as how to interview managers, questions to ask, and pitfalls to avoid.

The consultants were early into the field of performance measurement and analysis, techniques of which have been developed to a high degree of sophistication.

These techniques are constantly being improved to provide as complete a knowledge of investment management as possible. No other financial investment sector is subject to such scrutiny.

The service provided by consultants does not stop there. The Financial institutions are changing rapidly as deregulation of the City approaches. New investment instruments that offer wider flexibility to investment funds are appearing. The consultants are broadening their services to keep clients informed of the changing investment scene.

Mercer-MPA, one of the largest pension consultants in the UK is introducing an Asset Planning Service, known as MAPS. This includes a quarterly magazine to clients discussing various subjects, to supplement a twice-yearly consulting session. Its first edition will cover such subjects as Big Bang, Index-Linked Gilts, and lessons from US asset planning strategy.

Future issues will include investment opportunities in Europe, last year's investment winner.

The one investment aspect in which consultants will not be involved is actual management. Leading consulting actuaries Duncan C. Fraser recently disposed of its fund management subsidiary, since it was felt that this could be a potential source of a conflict of interest.



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